

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC

Form N-CSR

August 05, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number:	811-7460
Exact name of registrant as specified in charter:	Delaware Investments Dividend and I Fund, Inc.
Address of principal executive offices:	2005 Market Street Philadelphia, PA 19103
Name and address of agent for service:	Richelle S. Maestro, Esq. 2005 Market Street Philadelphia, PA 19103
Registrant's telephone number, including area code:	(800) 523-1918
Date of fiscal year end:	November 30
Date of reporting period:	May 31, 2005

Item 1. Reports to Stockholders

Delaware  
Investments(R)  
-----  
A member of Lincoln Financial Group

CLOSED END

SEMIANNUAL REPORT MAY 31, 2005

-----  
DELAWARE INVESTMENTS

DIVIDEND AND INCOME FUND, INC.

[LOGO] POWERED BY RESEARCH. (SM)

TABLE  
OF CONTENTS

-----	
SECTOR ALLOCATION	1
-----	
FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Operations	7
Statements of Changes in Net Assets	8
Statement of Cash Flows	9
Financial Highlights	10
Notes to Financial Statements	11
-----	
OTHER FUND INFORMATION	14
-----	

Funds are not FDIC insured and are not guaranteed. It is possible to lose the principal amount invested.

Mutual fund advisory services provided by Delaware Management Company, a series of Delaware Management Business Trust, which is a registered investment advisor.

(C) 2005 Delaware Distributors, L.P.

SECTOR ALLOCATION As of May 31, 2005  
DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

The SEC adopted a requirement that all funds present their categories of portfolio holdings in a table, chart, or graph format in their annual and semiannual shareholder reports. The following chart lists the Fund's categories of portfolio holdings as a percentage of total net assets and is provided in compliance with such requirement.

SECTOR	PERCENTAGE OF NET ASSETS
-----	-----
COMMON STOCK	79.75%
-----	-----
Consumer Discretionary	4.16%

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Consumer Staples	5.78%
Energy	4.49%
Financials	12.44%
Health Care	9.50%
Healthcare REITs	0.21%
Industrials	3.26%
Industrial REITs	1.56%
Information Technology	4.52%
Mall REITs	5.10%
Manufactured Housing REITs	0.35%
Materials	1.35%
Mortgage REITs	8.83%
Multifamily REITs	0.53%
Office/Industrial REITs	3.10%
Office REITs	5.01%
Retail Strip Centers REITs	1.63%
Telecommunication Services	4.81%
Utilities	3.12%
-----	
CONVERTIBLE PREFERRED STOCK	4.89%
-----	
Consumer Products	1.39%
Diversified REITs	0.81%
Environmental Services	0.45%
Financial	1.49%
Telecommunications	0.75%
-----	
PREFERRED STOCK	6.46%
-----	
Leisure, Lodging & Entertainment	0.94%
Lodging/Resort REITs	2.45%
Office REITs	1.26%
Retail Strip Centers REITs	0.65%
Utilities	1.16%
-----	
COMMERCIAL MORTGAGE-BACKED SECURITIES	0.27%

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

SECTOR	PERCENTAGE OF NET ASSETS
CONVERTIBLE BONDS	3.47%
Capital Goods - Manufacturing	0.20%
Consumer Cyclical	1.90%
Technology	0.63%
Transportation	0.09%
Utilities	0.65%
CORPORATE BONDS	35.44%
Capital Goods - Manufacturing	3.37%
Chemicals	1.37%
Consumer Cyclical	2.81%
Consumer Non-Cyclical	2.49%
Energy	2.98%
Finance	1.33%
Forest/Paper Products	3.92%
Gaming	2.21%
Health Care	1.33%
Media	4.21%
Metals/Mining	0.24%
Retail	0.15%
Technology	0.74%
Telecommunications	3.45%
Textile & Apparel	0.33%
Transportation	1.71%
Utilities	2.80%
U.S. TREASURY OBLIGATIONS	3.14%
WARRANTS	0.00%
SECURITIES LENDING COLLATERAL	16.87%
TOTAL MARKET VALUE OF SECURITIES	150.29%

# Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

OBLIGATIONS TO RETURN SECURITIES LENDING COLLATERAL	(16.87%)
-----	-----
COMMERCIAL PAPER PAYABLE	(33.43%)
-----	-----
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	0.01%
-----	-----
TOTAL NET ASSETS	100.00%
-----	-----

1

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
 STATEMENT OF NET ASSETS  
 May 31, 2005 (Unaudited)

	Number of Shares	Market Value
COMMON STOCK - 79.75%		
Consumer Discretionary - 4.16%		
Gap	113,213	\$ 2,377,473
Limited Brands	102,900	2,116,653
Mattel	124,000	2,254,320
*+XM Satellite Radio Holdings Class A	2,000	64,220
		-----
		6,812,666
		-----
Consumer Staples - 5.78%		
Archer-Daniels-Midland	105,000	2,084,250
ConAgra Foods	92,400	2,416,260
Kimberly-Clark	39,100	2,515,303
Safeway	111,300	2,449,713
		-----
		9,465,526
		-----
Energy - 4.49%		
Chevron	44,100	2,371,698
ConocoPhillips	22,800	2,458,752
Exxon Mobil	42,500	2,388,500
*+Petroleum Geo-Services ADR	1,989	134,755
		-----
		7,353,705
		-----
Financials - 12.44%		
Allstate	46,800	2,723,760
Aon	107,000	2,667,510
Chubb	32,000	2,695,360
Hartford Financial Services	36,000	2,692,440
Huntington Bancshares	103,400	2,411,288
Morgan Stanley	43,500	2,129,760
Wachovia	49,100	2,491,825
Washington Mutual	61,900	2,556,470
		-----
		20,368,413
		-----
Health Care - 9.50%		
Abbott Laboratories	53,100	2,561,544
Baxter International	66,100	2,439,090
Bristol-Myers Squibb	104,700	2,655,192
Merck	80,100	2,598,444
Pfizer	97,500	2,720,250
Wyeth	59,500	2,580,515
		-----

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

		15,555,035
		-----
Healthcare REITs - 0.21%		
#Medical Properties Trust 144A	35,000	351,750
		-----
		351,750
		-----
Industrials - 3.26%		
Boeing	43,800	2,798,820
*+Foster Wheeler	8,434	124,821
Union Pacific	36,000	2,410,560
		-----
		5,334,201
		-----
Industrial REITs - 1.56%		
AMB Property	63,300	2,551,623
		-----
		2,551,623
		-----
Information Technology - 4.52%		
Hewlett-Packard	116,200	2,615,662
International Business Machines	32,800	2,478,040
+Xerox	170,000	2,306,900
		-----
		7,400,602
		-----
Mall REITs - 5.10%		
*General Growth Properties	113,538	4,420,034
*Simon Property Group	57,300	3,937,656
		-----
		8,357,690
		-----
	Number of	Market
	Shares	Value
COMMON STOCK (continued)		
Manufactured Housing REITs - 0.35%		
*Sun Communities	16,000	\$ 576,000
		-----
		576,000
		-----
Materials - 1.35%		
Weyerhaeuser	34,600	2,219,590
		-----
		2,219,590
		-----
Mortgage REITs - 8.83%		
*American Home Mortgage Investment	98,400	3,203,904
Fieldstone Investment	84,800	1,132,928
*Friedman Billings Ramsey Group Class A	95,495	1,246,210
+#KKR Financial 144A	182,600	1,871,650
*MortgageIT Holdings	187,000	3,169,650
+#Peoples Choice 144A	176,700	1,767,000
*Saxon Capital	122,400	2,072,232
		-----
		14,463,574
		-----
Multifamily REITs - 0.53%		
*Education Realty Trust	50,900	873,953
		-----
		873,953
		-----

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Office/Industrial REITs - 3.10%		
*Duke Realty	83,900	2,589,993
Liberty Property Trust	60,270	2,488,548
		-----
		5,078,541
		-----
Office REITs - 5.01%		
Equity Office Properties Trust	89,400	2,904,606
*Prentiss Properties Trust	73,572	2,538,234
*Reckson Associates Realty	87,420	2,761,598
		-----
		8,204,438
		-----
Retail Strip Centers REITs - 1.63%		
*Ramco-Gershenson Properties Trust	96,400	2,675,100
		-----
		2,675,100
		-----
Telecommunication Services - 4.81%		
*+Fairpoint Communications	180,000	2,802,600
SBC Communications	108,300	2,532,054
Verizon Communications	71,800	2,540,284
		-----
		7,874,938
		-----
Utilities - 3.12%		
Energy East	90,300	2,528,400
FPL Group	63,500	2,581,275
		-----
		5,109,675
		-----
TOTAL COMMON STOCK (cost \$113,800,365)		130,627,020
		-----
CONVERTIBLE PREFERRED STOCK - 4.89%		
Consumer Products - 1.39%		
Newell Financial Trust I 5.25%	52,600	2,274,950
		-----
		2,274,950
		-----
Diversified REITs - 0.81%		
Crescent Real Estate 6.75%	62,600	1,320,860
		-----
		1,320,860
		-----
Environmental Services - 0.45%		
Allied Waste Industries 6.25%	16,200	734,022
		-----
		734,022
		-----
Financial - 1.49%		
*Chubb 7.00%	15,000	465,450
Lehman Brothers Holdings 6.25%	16,000	424,000

2

STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

	Number of Shares	Market Value
CONVERTIBLE PREFERRED STOCK (continued)		
Financial (continued)		

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

National Australia Bank Units 7.875%	40,000	\$ 1,568,000
		-----
		2,457,450
		-----
Telecommunications - 0.75%		
Lucent Technologies Capital Trust I 7.75%	1,300	1,227,200
		-----
		1,227,200
		-----
TOTAL CONVERTIBLE PREFERRED STOCK (cost \$8,895,050)		8,014,482
		-----
PREFERRED STOCK - 6.46%		
Leisure, Lodging & Entertainment - 0.94%		
WestCoast Hospitality Capital Trust 9.50%	58,000	1,532,360
		-----
		1,532,360
		-----
Lodging/Resort REITs - 2.45%		
Equity Inns Series B 8.75%	35,700	946,050
LaSalle Hotel Properties 10.25%	113,200	3,072,814
		-----
		4,018,864
		-----
Office REITs - 1.26%		
SL Green Realty 7.625%	80,000	2,065,000
		-----
		2,065,000
		-----
Retail Strip Centers REITs - 0.65%		
Ramco-Gershenson Properties 9.50%	40,000	1,061,200
		-----
		1,061,200
		-----
Utilities - 1.16%		
Public Service Enterprise Group 10.25%	27,200	1,894,480
		-----
		1,894,480
		-----
TOTAL PREFERRED STOCK (cost \$9,564,868)		10,571,904
		-----
	Principal	
	Amount	
COMMERCIAL MORTGAGE-BACKED SECURITIES - 0.27%		
#Meristar Commercial Mortgage Trust		
Series 1999-C1 C 144A 8.29% 3/3/16	\$ 400,000	439,477
		-----
TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (cost \$445,969)		439,477
		-----
CONVERTIBLE BONDS - 3.47%		
Capital Goods - Manufacturing - 0.20%		
#Tyco International Group		
144A 2.75% 1/15/18	250,000	321,875
		-----
		321,875
		-----
Consumer Cyclical - 1.90%		
Meristar Hospitality 9.50% 4/1/10	1,100,000	1,395,624
#Playboy Enterprises 144A 3.00% 3/15/25	600,000	549,000
#Regal Entertainment Group		
144A 3.75% 5/15/08	550,000	732,875



Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

#Saks 144A 2.00% 3/15/24	425,000	432,969
		-----
		3,110,468
		-----
Technology - 0.63%		
#Mercury Interactive 144A 4.75% 7/1/07	550,000	536,938
#Sybase Convertible 144A 1.75% 2/22/25	500,000	501,875
		-----
		1,038,813
		-----
Transportation - 0.09%		
*#ExpressJet Holdings 144A 4.25% 8/1/23	200,000	148,000
		-----
		148,000
		-----
	Principal	Market
	Amount	Value
CONVERTIBLE BONDS (continued)		
Utilities - 0.65%		
*#CenterPoint Energy 144A 3.75% 5/15/23	\$ 800,000	\$ 913,000
***Mirant 2.50% 6/15/21	200,000	154,000
		-----
		1,067,000
		-----
TOTAL CONVERTIBLE BONDS (cost \$5,129,838)		5,686,156
		-----
CORPORATE BONDS - 35.44%		
Capital Goods - Manufacturing - 3.37%		
*Allied Waste North America 9.25% 9/1/12	575,000	621,000
Anchor Glass 11.00% 2/15/13	425,000	344,250
*Armor Holdings 8.25% 8/15/13	475,000	511,756
Casella Waste Systems 9.75% 2/1/13	400,000	430,000
*Cenveo 9.625% 3/15/12	200,000	215,500
Foster Wheeler 10.359% 9/15/11	206,250	212,953
Geo Subordinate 11.00% 5/15/12	470,000	474,700
#Graham Packaging 144A 9.875% 10/15/14	500,000	498,750
#IMCO Recycling 144A 9.00% 11/15/14	295,000	309,750
Interline Brands 11.50% 5/15/11	576,000	636,480
?Mueller Holdings 14.75% 4/15/14	550,000	400,125
*#Park-Ohio Industries 144A 8.375% 11/15/14	225,000	186,750
Radnor Holdings		
o9.891% 4/15/09	235,000	236,175
11.00% 3/15/10	175,000	129,063
Trimas 9.875% 6/15/12	375,000	305,625
		-----
		5,512,877
		-----
Chemicals - 1.37%		
*#Huntsman International		
144A 7.375% 1/1/15	425,000	423,938
*Lyondell Chemical 9.875% 5/1/07	250,000	257,500
*Nalco 8.875% 11/15/13	275,000	288,750
Rhodia		
*8.875% 6/1/11	250,000	241,250
10.25% 6/1/10	235,000	251,450
++Solutia 6.72% 10/15/37	700,000	539,000
Witco 6.875% 2/1/26	250,000	241,250
		-----
		2,243,138
		-----
Consumer Cyclical - 2.81%		

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

#Accuride 144A 8.50% 2/1/15	450,000	416,250
*Advanced Accessory Systems 10.75% 6/15/11	245,000	184,975
++Avado Brands 9.75% 6/1/06	230,000	33,350
*#Carrols 144A 9.00% 1/15/13	385,000	392,700
#Dana 144A 5.85% 1/15/15	100,000	85,500
Denny's 10.00% 10/1/12	430,000	435,375
#Gaylord Entertainment 144A 6.75% 11/15/14	325,000	313,625
Interface 10.375% 2/1/10	350,000	376,250
#Landry's Restaurant 144A 7.50% 12/15/14	605,000	565,675
#Lone Star Industries 144A 8.85% 6/15/05	300,000	300,000
Nortek 8.50% 9/1/14	150,000	135,000
O'Charleys 9.00% 11/1/13	445,000	471,700
Perkins Family Restaurants 10.125% 12/15/07	20,000	20,300
*Royal Caribbean Cruises 7.25% 3/15/18	400,000	418,000
?Town Sports International 11.00% 2/1/14	275,000	159,500
#Uno Restaurant 144A 10.00% 2/15/11	300,000	295,500
++Venture Holdings 12.00% 6/1/09	425,000	531
		-----
		4,604,231
		-----

3

STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

	Principal Amount	Market Value
CORPORATE BONDS (continued)		
Consumer Non-Cyclical - 2.49%		
#Commonwealth Brands 144A 10.625% 9/1/08	\$ 460,000	\$ 484,150
Corrections Corporation of America 7.50% 5/1/11	475,000	489,844
Cott Beverages 8.00% 12/15/11	375,000	399,375
*Great Atlantic & Pacific Tea 7.75% 4/15/07	300,000	308,250
#Knowledge Learning 144A 7.75% 2/1/15	315,000	297,675
#Le-Natures 144A 10.00% 6/15/13	550,000	569,250
*National Beef Packing 10.50% 8/1/11	330,000	318,450
Pilgrim's Pride 9.625% 9/15/11	410,000	451,000
*Pinnacle Foods 8.25% 12/1/13	200,000	172,000
#Rite Aid 144A 7.50% 1/15/15	250,000	231,250
True Temper Sports 8.375% 9/15/11	395,000	359,450
		-----
		4,080,694
		-----
Energy - 2.98%		
Bluewater Finance 10.25% 2/15/12	390,000	409,500
#Chesapeake Energy 144A 6.625% 1/15/16	200,000	207,750
CMS Energy 9.875% 10/15/07	250,000	272,500
#Dynegy Holdings 144A 10.125% 7/15/13	700,000	780,499
El Paso Natural Gas 7.625% 8/1/10	200,000	212,021
El Paso Production Holding 7.75% 6/1/13	545,000	568,163
=#Geophysique 144A 7.50% 5/15/15	150,000	150,750
#Hilcorp Energy I 144A 10.50% 9/1/10	410,000	453,050
#Inergy Finance 144A 6.875% 12/15/14	250,000	235,000
Midland Funding II 11.75% 7/23/05	60,226	61,081
Petroleum Geo-Services		

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

*8.00% 11/5/06	59,202	60,608
10.00% 11/5/10	524,909	585,274
oSecunda International 11.141% 9/1/12	260,000	247,000
*Tennessee Gas Pipeline 8.375% 6/15/32	350,000	407,548
Whiting Petroleum 7.25% 5/1/13	235,000	235,000
		-----
		4,885,744
		-----
Finance - 1.33%		
#America Real Estate 144A 7.125% 2/15/13	350,000	344,750
BF Saul REIT 7.50% 3/1/14	125,000	130,000
*E Trade Financial 8.00% 6/15/11	555,000	582,750
#Farmers Exchange Capital		
144A 7.20% 7/15/48	250,000	268,484
LaBranche & Company 11.00% 5/15/12	365,000	394,200
*Tanger Properties 9.125% 2/15/08	425,000	460,063
		-----
		2,180,247
		-----
Forest/Paper Products - 3.92%		
Abitibi-Consolidated 6.95% 12/15/06	350,000	353,500
#Boise Cascade 144A 7.125% 10/15/14	505,000	483,538
Bowater 9.50% 10/15/12	585,000	631,799
Fort James 7.75% 11/15/23	925,000	1,061,437
MDP Acquisitions 9.625% 10/1/12	555,000	545,288
#NewPage 144A 10.00% 5/1/12	250,000	245,625
Norske Skog 8.625% 6/15/11	570,000	584,250
#Port Townsend Paper 144A 12.00% 4/15/11	450,000	438,750
Potlatch 12.50% 12/1/09	475,000	594,343
Smurfit Capital Funding 7.50% 11/20/25	500,000	452,500
Stone Container 9.75% 2/1/11	525,000	557,813
Tembec Industries 8.625% 6/30/09	575,000	468,625
		-----
		6,417,468
		-----
Gaming - 2.21%		
Ameristar Casinos 10.75% 2/15/09	675,000	740,813
Boyd Gaming 9.25% 8/1/09	761,000	803,806
	Principal	Market
	Amount	Value
CORPORATE BONDS (continued)		
Gaming (continued)		
Caesars Entertainment 9.375% 2/15/07	\$ 175,000	\$ 187,688
*Mandalay Resort Group 10.25% 8/1/07	35,000	38,588
MGM MIRAGE 9.75% 6/1/07	275,000	298,719
Penn National Gaming 8.875% 3/15/10	900,000	969,749
Wheeling Island Gaming 10.125% 12/15/09	550,000	585,750
		-----
		3,625,113
		-----
Health Care - 1.33%		
NDCHealth 10.50% 12/1/12	340,000	362,950
Universal Hospital Services 10.125% 11/1/11	190,000	192,850
US Oncology 10.75% 8/15/14	500,000	547,500
Vanguard Health 9.00% 10/1/14	475,000	515,375
#Ventas Realty 144A 7.125% 6/1/15	200,000	205,000
*#Warner Chilcott 144A 8.75% 2/1/15	365,000	354,050
		-----
		2,177,725
		-----

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Media - 4.21%		
*JAdelphia Communications 8.125% 7/15/06	525,000	454,125
American Media Operation 10.25% 5/1/09	200,000	206,500
#Charter Communications		
144A 5.875% 11/16/09	165,000	102,300
Charter Communications Holdings		
10.75% 10/1/09	1,435,000	1,119,299
*CSC Holdings 10.50% 5/15/16	695,000	764,500
Dex Media West 9.875% 8/15/13	100,000	114,750
Insight Midwest 10.50% 11/1/10	800,000	856,000
*Lodgenet Entertainment 9.50% 6/15/13	550,000	594,000
Mediacom Broadband 11.00% 7/15/13	600,000	652,500
*Nextmedia Operating 10.75% 7/1/11	580,000	635,100
Sheridan Acquisition 10.25% 8/15/11	225,000	231,750
Warner Music Group 7.375% 4/15/14	575,000	575,000
XM Satellite Radio 12.00% 6/15/10	525,000	589,313
		-----
		6,895,137
		-----
Metals/Mining - 0.24%		
#Novelis 144A 7.25% 2/15/15	400,000	394,000
		-----
		394,000
		-----
Retail - 0.15%		
*Adesa 7.625% 6/15/12	250,000	250,000
		-----
		250,000
		-----
Technology - 0.74%		
#Magnachip Semiconductor		
144A 8.00% 12/15/14	410,000	358,750
Sanmina-SCI 10.375% 1/15/10	325,000	360,750
#Telcordia Technologies		
144A 10.00% 3/15/13	550,000	484,000
		-----
		1,203,500
		-----
Telecommunications - 3.45%		
Alaska Communications Systems Holdings		
9.875% 8/15/11	375,000	396,563
American Cellular 10.00% 8/1/11	240,000	235,200
*American Tower 7.125% 10/15/12	50,000	52,063
*Centennial Cellular Operating		
10.125% 6/15/13	315,000	353,194
*Cincinnati Bell 8.375% 1/15/14	625,000	621,874
*?Inmarsat Finance 10.375% 11/15/12	575,000	428,375
iPCS 11.50% 5/1/12	200,000	220,000
#Iwo Escrow 144A		
o6.891% 1/15/12	75,000	75,000
?10.75% 1/15/15	75,000	48,000

4

STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

	Principal Amount	Market Value
CORPORATE BONDS (CONTINUED)		
Telecommunications (continued)		
MCI		

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

6.908% 5/1/07	\$ 250,000	\$ 254,688
7.688% 5/1/09	535,000	561,749
MetroPCS 10.75% 10/1/11	225,000	269,487
#New Skies Satellite 144A 9.125% 11/1/12	180,000	179,100
PanAmSat 9.00% 8/15/14	275,000	300,438
#Qwest 144A 7.875% 9/1/11	115,000	119,888
#Qwest Services 144A 13.50% 12/15/10	525,000	601,124
Rural Cellular		
*9.625% 5/15/08	250,000	231,250
9.875% 2/1/10	100,000	99,250
*oUS LEC 11.89% 10/1/09	225,000	231,750
US Unwired 10.00% 6/15/12	10,000	11,000
#Valor Telecom 144A 7.75% 2/15/15	375,000	366,563
		-----
		5,656,556
		-----
Textile & Apparel - 0.33%		
Warnaco 8.875% 6/15/13	500,000	547,500
		-----
		547,500
		-----
Transportation - 1.71%		
?#H-Lines Finance Holding		
144A 11.00% 4/1/13	555,000	432,900
#Horizon Lines 144A 9.00% 11/1/12	275,000	290,469
Kansas City Southern Railway		
9.50% 10/1/08	400,000	438,500
OMI 7.625% 12/1/13	435,000	432,825
Seabulk International 9.50% 8/15/13	500,000	568,749
Stena 9.625% 12/1/12	375,000	411,563
Ultrapetrol 9.00% 11/24/14	250,000	226,250
		-----
		2,801,256
		-----
Utilities - 2.80%		
Avista 9.75% 6/1/08	500,000	569,309
Calpine		
8.25% 8/15/05	225,000	217,125
10.50% 5/15/06	155,000	130,975
o#Calpine 144A 8.891% 7/15/07	338,963	262,696
Elwood Energy 8.159% 7/5/26	219,203	248,247
Midwest Generation		
8.30% 7/2/09	500,000	520,000
8.75% 5/1/34	425,000	476,000
*++Mirant Americas Generation 7.625% 5/1/06	400,000	463,000
#NRG Energy 144A 8.00% 12/15/13	290,000	307,400
Orion Power Holdings 12.00% 5/1/10	250,000	300,000
PSE&G Energy Holdings 7.75% 4/16/07	250,000	258,750
*Reliant Energy 9.50% 7/15/13	250,000	273,750
#Texas Genco 144A 6.875% 12/15/14	300,000	309,750
#USGen New England 144A 7.459% 1/2/15	250,000	241,250
		-----
		4,578,252
		-----
TOTAL CORPORATE BONDS (cost \$58,278,053)		58,053,438
		-----
U.S. Treasury Obligations - 3.14%		
*^Treasury Bill 2.677% 7/7/05	5,150,000	5,136,265
TOTAL U.S. TREASURY OBLIGATIONS		
(cost \$5,136,265)		5,136,265
		-----

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

	Number of Shares	Market Value
WARRANTS - 0.00%		
+#Solutia 144A, exercise price \$7.59, expiration date 7/15/09	650	\$ 0
		-----
TOTAL WARRANTS (cost \$55,294)		0
		-----
TOTAL MARKET VALUE OF SECURITIES BEFORE SECURITIES LENDING COLLATERAL - 133.42 % (cost \$201,305,702)		218,528,742
		-----
	Principal Amount	
SECURITIES LENDING COLLATERAL** - 16.87%		
Short-Term Investments		
Abbey National 3.13% 1/13/06	\$ 586,793	586,793
Australia New Zealand 3.08% 6/23/06	792,637	792,637
Bank of New York 3.06% 4/4/06	634,109	634,109
Bank of the West 3.06% 3/2/06	792,794	792,637
Barclays London 3.10% 7/21/05	792,660	792,647
Barclays New York 3.12% 6/1/05	79,251	79,251
Bayerische Landesbank 3.08% 6/30/06	792,465	792,637
Bear Stearns		
3.14% 1/17/06	158,523	158,608
3.15% 11/30/05	792,237	792,637
Beta Finance 3.08% 4/18/06	792,704	792,557
Citigroup Global Markets		
3.10% 6/1/05	6,349,879	6,349,879
3.13% 6/7/05	856,048	856,048
Credit Suisse First Boston New York		
3.07% 4/18/06	856,048	856,048
3.10% 12/29/05	166,417	166,463
Deutsche Bank London 3.10% 7/11/05	634,116	634,109
Goldman Sachs 3.20% 5/31/06	871,813	871,900
Lehman Holdings 3.14% 12/23/05	792,774	793,350
Marshall & Ilsley Bank 3.05% 12/29/05	792,697	792,673
Merrill Lynch Mortgage Capital		
3.16% 7/12/05	792,637	792,637
Morgan Stanley		
3.21% 6/30/06	158,373	158,527
3.24% 5/31/06	79,216	79,264
National City Bank Cleveland 3.06% 1/23/06	903,717	903,655
Pfizer 3.05% 6/30/06	760,931	760,931
Proctor & Gamble 2.93% 6/30/06	792,637	792,637
Royal Bank of Canada 3.05% 6/27/05	792,615	792,615
Royal Bank of Scotland 3.06% 6/30/06	792,551	792,637
Sigma Finance 3.06% 9/30/05	745,086	745,002
Societe Generale New York 3.06% 6/14/05	715,975	715,946
Sun Trust Bank 3.08% 8/5/05	396,297	396,297
Wal Mart Stores 3.03% 6/21/05	947,817	946,233
Washington Mutual Bank 3.10% 7/8/05	792,622	792,637
Wells Fargo 3.06% 6/30/06	792,637	792,637
Wilmington Trust Company 2.96% 6/3/05	634,332	634,331
		-----
TOTAL SECURITIES LENDING COLLATERAL (cost \$27,630,969)		27,630,969
		-----

# Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

## STATEMENT OF NET ASSETS (CONTINUED) DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

TOTAL MARKET VALUE OF SECURITIES - 150.29%	
(cost \$228,936,671)	\$246,159,711
OBLIGATION TO RETURN SECURITIES LENDING	
COLLATERAL - (16.87%)**	(27,630,969)
COMMERCIAL PAPER PAYABLE	
(PAR \$55,000,000) - (33.43%)	(54,749,369)
RECEIVABLES AND OTHER ASSETS	
NET OF LIABILITIES - 0.01%	15,252
	-----
NET ASSETS APPLICABLE TO 12,876,300 SHARES OUTSTANDING;	
EQUIVALENT TO \$12.72 PER SHARE - 100.00%	\$163,794,625
	=====
COMPONENTS OF NET ASSETS AT MAY 31, 2005:	
Common stock, \$0.01 par value, 500,000,000	
shares authorized to the Fund	\$149,351,344
Accumulated net realized loss on investments	(2,779,759)
Net unrealized appreciation of investments	17,223,040
	-----
Total net assets	\$163,794,625
	=====

?Step Coupon Bond. Indicates security that has a zero coupon that remains in effect until a predetermined date at which time the stated interest rate becomes effective.

#Security exempt from registration under Rule 144A of the Securities Act of 1933. See Note 8 in "Notes to Financial Statements."

^U.S. Treasury bills are traded on a discount basis; the interest rate shown is the yield at the time of purchase.

\*Fully or partially on loan.

\*\*See Note 7 in "Notes to Financial Statements."

\*\*\*Includes \$27,419,854 of securities loaned.

++Non-income producing security. Security is currently in default.

JSecurity is currently in default. The issue has missed the maturity date. Bankruptcy proceedings are in the process to determine distribution of assets. The date listed is the estimated of when the proceedings will be finalized.

oVariable rate notes. The interest rate shown is the rate as of May 31, 2005.

=Security is being fair valued in accordance with the Fund's fair valuation policy. See Note 1 in "Notes to Financial Statements." At May 31, 2005, one security was fair valued that represented 0.09% of the Fund's net assets.

+Non-income producing security for the period ending May 31, 2005.

### SUMMARY OF ABBREVIATIONS:

ADR - American Depositary Receipts

REIT - Real Estate Investment Trust

See accompanying notes

## STATEMENT OF OPERATIONS DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC. Six Months Ended May 31, 2005 (Unaudited)

INVESTMENT INCOME:  
Dividends

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Interest  
Foreign tax withheld  
Securities lending income

EXPENSES:

Management fees  
Commercial paper fees  
Reports to shareholders  
Accounting and administration expenses  
Transfer agent fees  
Legal and professional fees  
NYSE fees  
Taxes (other than taxes on income)  
Directors' fees  
Pricing fees  
Custodian fees  
Registration fees  
Other

Total operating expenses (before interest expense)  
Interest expense

Total operating expenses (after interest expense)

Total expenses

NET INVESTMENT INCOME

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCIES:

Net realized gain (loss) on:

Investments  
Foreign currencies

Net realized gain

Net change in unrealized appreciation/depreciation of investments and foreign currencies

NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND FOREIGN CURRENCIES

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

See accompanying notes

7

STATEMENTS OF CHANGES IN NET ASSETS DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:

Net investment income  
Net realized gain on investments and foreign currencies  
Net change in unrealized appreciation/depreciation of investments and foreign currencies



Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Net increase in net assets resulting from operations

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM (SEE NOTE 4):

Net investment income  
Net realized gains  
Return of capital

NET INCREASE (DECREASE) IN NET ASSETS

NET ASSETS:

Beginning of period

End of period (there was no undistributed net investment income at either period end)

See accompanying notes

8

STATEMENT  
OF CASH FLOWS

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
Six Months Ended May 31, 2005 (Unaudited)

NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net increase in net assets resulting from operations

Adjustments to reconcile net increase in net assets from operations to cash provided by operating

Amortization of premium and discount on securities purchased  
Net proceeds from investment transactions  
Net realized gain from investment transactions  
Net realized loss on foreign currencies  
Change in net unrealized appreciation/depreciation  
Decrease in receivable for investments sold  
Increase in interest and dividends receivable  
Decrease in payable for investments purchased  
Increase in interest payable  
Increase in accrued expenses and other liabilities

Total adjustments

Net cash provided by operating activities

CASH FLOWS USED FOR FINANCING ACTIVITIES:

Cash provided by issuance of commercial paper  
Repayment of commercial paper upon maturity  
Cash dividends and distributions paid

Net cash used for financing activities

Effect of exchange rates on cash

Net decrease in cash

Cash at beginning of period

Cash (overdraft) at end of period

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Cash paid for interest

See accompanying notes

9

FINANCIAL  
HIGHLIGHTS

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Delaware Investments Divid		
	Six Months Ended 5/31/05 (5) (Unaudited)	11/30/04	11/30/03
NET ASSET VALUE, BEGINNING OF PERIOD	\$12.960	\$11.700	\$10.140
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income (3)	0.291	0.625	0.711
Net realized and unrealized gain (loss) on investments and foreign currencies	(0.051)	1.595	1.989
Total from investment operations	0.240	2.220	2.700
LESS DIVIDENDS AND DISTRIBUTIONS FROM:			
Net investment income	(0.304)	(0.663)	(0.714)
Net realized gain on investments	--	(0.297)	--
Return of capital	(0.176) (6)	--	(0.426)
Total dividends and distributions	(0.480)	(0.960)	(1.140)
NET ASSET VALUE, END OF PERIOD	\$12.720 =====	\$12.960 =====	\$11.700 =====
MARKET VALUE, END OF PERIOD	\$11.990 =====	\$11.760 =====	\$11.840 =====
TOTAL RETURN BASED ON: (1)			
Market value	6.11%	7.78%	30.20%
Net asset value	2.06%	20.29%	27.13%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets, end of period (000 omitted)	\$163,795	\$166,929	\$150,595
Ratio of expenses to average net assets	1.98%	1.51%	1.63%
Ratio of expenses to adjusted average net assets (before interest expense) (2)	0.81%	0.76%	0.79%
Ratio of interest expense to adjusted average net assets (2)	0.67%	0.36%	0.37%
Ratio of net investment income to average net assets	4.50%	5.10%	6.70%
Ratio of net investment income to adjusted average net assets (2)	3.40%	3.78%	4.78%
Portfolio turnover	124%	89%	175%

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

### LEVERAGE ANALYSIS:

Debt outstanding at end of period at par (000 omitted)	\$55,000	\$55,000	\$55,000
Average daily balance of debt outstanding (000 omitted)	\$54,810	\$54,893	\$54,882
Average daily balance of shares outstanding (000 omitted)	12,876	12,876	12,876
Average debt per share	\$4.260	\$4.260	\$4.262
Asset coverage per \$1,000 of debt outstanding at end of period	\$3,992	\$4,044	\$3,743

- (1) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purpose of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
- (2) Adjusted average net assets excludes debt outstanding.
- (3) The average shares outstanding method has been applied for per share information.
- (4) As required, effective December 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that requires amortization of all premiums and discounts on debt securities. The effect of this change for the year ended November 30, 2002 was a decrease in net investment income per share of \$0.025, an increase in net realized and unrealized gain (loss) per share of \$0.025, a decrease in the ratio of net investment income to average net assets of 0.22%, and a decrease in the ratio of net investment income to adjusted net assets of 0.16%. Per share data and ratios for the periods prior to December 1, 2001 have not been restated to reflect this change in accounting.
- (5) Ratios and portfolio turnover have been annualized and total return has not been annualized.
- (6) The amount is an estimated return of capital as of May 31, 2005. The actual determination of the return of capital, if any, can be made only at fiscal year end. For more information on dividends and distributions, see Note 4 in "Notes to Financial Statements."

See accompanying notes

10

### NOTES TO FINANCIAL STATEMENTS DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC. May 31, 2005 (Unaudited)

Delaware Investments Dividend and Income Fund, Inc. (the "Fund") is organized as a Maryland corporation and is a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund's shares trade on the New York Stock Exchange under the symbol DDF.

The investment objective of the Fund is to seek high current income. Capital appreciation is a secondary objective.

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

### 1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are in accordance with U.S generally accepted accounting principles and are consistently followed by the Fund:

Security Valuation - Equity securities, except those traded on the Nasdaq Stock Market, Inc. (NASDAQ), are valued at the last quoted sales price as of the time of the regular close of the New York Stock Exchange (NYSE) on the valuation date. Securities traded on the NASDAQ are valued in accordance with the NASDAQ Official Closing Price, which may not be the last sales price. If on a particular day an equity security does not trade, then the mean between the bid and the asked prices will be used. U.S. Government and agency securities are valued at the mean between the bid and asked prices. Long-term debt securities are valued by an independent pricing service and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Directors. In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, or with respect to foreign securities, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

Federal Income Taxes - The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

Distributions - The Fund has a managed distribution policy. Under the policy, the Fund declares and pays monthly distributions and is managed with a goal of generating as much of the distribution as possible from ordinary income (net investment income and short-term capital gains). The balance of the distribution then comes from long-term capital gains and if necessary, a return of capital. The current annualized rate is \$0.96 per share. The Fund continues to evaluate its monthly distribution in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

Borrowings - The Fund issues short-term commercial paper at a discount from par. The discount is amortized as interest expense over the life of the commercial paper using the straight-line method (See Note 6).

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other - Expenses common to all funds within the Delaware Investments Family of Funds are allocated amongst the funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date). Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. Premiums and discounts on non-convertible debt securities are amortized to interest income over the lives of the respective securities. Distributions received from investments in Real Estate Investment

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Trusts are recorded as dividend income on ex-dividend date, subject to reclassification upon notice of the character of such distribution by the issuer.

The Fund receives earning credits from its custodian when positive cash balances are maintained, which are used to offset custody fees. There were no earnings credits for the six months ended May 31, 2005.

### 2. INVESTMENT MANAGEMENT, ADMINISTRATION AGREEMENTS AND OTHER TRANSACTIONS WITH AFFILIATES:

In accordance with the terms of its investment management agreement, the Fund pays Delaware Management Company (DMC), a series of Delaware Management Business Trust and the investment manager, an annual fee of 0.55%, which is calculated daily based on the adjusted average weekly net assets.

The Fund has engaged Delaware Service Company, Inc. (DSC), an affiliate of DMC, to provide accounting and administration services. The Fund pays DSC a monthly fee computed at the annual rate of 0.05% of the Fund's adjusted average weekly net assets, subject to an annual minimum of \$85,000. Effective June 1, 2005, the Fund will pay DSC a monthly fee computed at the annual rate of 0.04% of the Fund's adjusted average weekly net assets, without an annual minimum.

For purposes of the calculation of investment management fees and administration fees, adjusted average weekly net assets does not include the commercial paper liability.

At May 31, 2005, the Fund had liabilities payable to affiliates as follows:

Investment management fee payable to DMC	\$ 99,430
Accounting and administration fees and other expenses payable to DSC	121,353
Other expenses payable to DMC and affiliates*	74,812

\*DMC, as part of its administration services, pays operating expenses on behalf of the Fund and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, stock exchange fees, custodian fees and directors fees.

As provided in the investment management agreement, the Fund bears the cost of certain legal services expenses, including internal legal services, provided to the Fund by DMC employees. For the six months ended May 31, 2005, the Fund was charged \$4,511 for internal legal services provided by DMC.

Certain officers of DMC and DSC are officers and/or directors the Fund. These officers and directors are paid no compensation by the Fund.

During the six months ended May 31, 2005, D. Tysen Nutt, Jr., Jordan L. Irving, Anthony A. Lombardi and Robert A. Vogel, Jr. (the "New Equity Team") were appointed co-portfolio managers of the Fund. The New Equity Team replaced Nancy M. Crouse, and will work with Damon Andres with respect to managing the equity portion of the Fund. The members of the New Team will work with Damon Andres and Timothy L. Rabe in making day-to-day decisions for the Fund.

11

NOTES  
TO FINANCIAL STATEMENTS (CONTINUED)

### 3. INVESTMENTS

For the six months ended May 31, 2005, the Fund made purchases of \$134,369,440 and sales of \$135,288,889 of long-term investment securities other than

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

long-term U.S. government securities and short-term investments. For the six months ended May 31, 2005, the Fund made purchases of \$49,107,664 and sales of \$49,287,304 of long-term U.S. government securities.

At May 31, 2005, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At May 31, 2005, the cost of investments was \$228,985,847. At May 31, 2005, the net unrealized appreciation was \$17,173,864 of which \$24,383,999 related to unrealized appreciation of investments and \$7,210,135 related to unrealized depreciation of investments.

#### 4. DIVIDEND AND DISTRIBUTION INFORMATION

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Additionally, gains (losses) on net short-term gains on sales of investment securities are treated as ordinary income for federal income tax purposes. The distributions made by the Fund during the fiscal year ended November 30, 2004 were in excess of the net investment income earned by the Fund for financial reporting purposes. This was offset by realized gains and therefore, there was not a return of capital for federal income tax purposes. The tax character of dividends and distributions paid during the six months ended May 31, 2005 and the year ended November 30, 2004 was as follows:

	Six Months Ended 5/31/05*	Year Ended 11/30/04
Ordinary income	\$3,912,778	\$12,361,997
Return of capital	2,268,088	--

\*Tax information for the six months ended May 31, 2005 is an estimate and the tax character of dividends and distributions may be redesignated at fiscal year end.

The components of net assets are estimated since final tax characteristics cannot be determined until fiscal year end. As of May 31, 2005, the estimated components of net assets on a tax basis were as follows:

Shares of beneficial interest	\$149,351,344
Capital loss carryforwards	(2,730,583)
Unrealized appreciation of investments	17,173,864
	-----
Net assets	\$163,794,625
	=====

The differences between book basis and tax basis components of net assets are primarily attributable to tax deferral of losses on wash sales and tax treatment of market discount and premium on debt instruments.

For financial reporting purposes, capital accounts are adjusted to reflect the tax character of permanent book/tax differences. For the six months ended May 31, 2005, the Fund recorded an estimate of these differences since the final tax characteristics cannot be determined until fiscal year end. Reclassifications are primarily due to tax treatment of net operating losses, gain (loss) on foreign currency transactions and market discounts and premiums on certain debt instruments. Results of operations and net assets were not affected by these reclassifications.

Undistributed net investment income	\$2,433,105
Accumulated realized gain (loss)	(165,017)
Paid-in capital	(2,268,088)

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

For federal income tax purposes, capital loss carryforwards may be carried forward and applied against future capital gains. Capital loss carryforwards remaining at November 30, 2004 will expire as follows: \$13,424,663 expires in 2010 and \$1,789,901 expires in 2011.

For the six months ended May 31, 2005, the Fund had capital gains of \$12,483,981, which may be offset by the capital loss carryforwards.

### 5. CAPITAL STOCK

The Fund did not repurchase any shares under the Share Repurchase Program or have any transactions in common shares during the six months ended May 31, 2005.

Shares issuable under the Fund's dividend investment plan are purchased by the Fund's transfer agent, Mellon Investor Services, LLC, in the open market.

On May 19, 2005, the Fund's Board of Directors approved a tender offer for shares of the Fund's common stock. The tender offer authorized the Fund to purchase up to 10% of its issued and outstanding shares at a price equal to the Fund's net asset value at 4:00 p.m. New York City time on July 1, 2005, the first business day following expiration of the offer. The tender offer commenced on June 3, 2005 and expired on June 30, 2005. In connection with the tender offer, the Fund purchased 1,287,630 shares of capital stock at a total cost of \$16,855,077.

### 6. COMMERCIAL PAPER

As of May 31, 2005, \$55,000,000 (par value) of commercial paper was outstanding with an amortized cost of \$54,749,369. The weighted average discount rate of commercial paper outstanding at May 31, 2005 was 3.17%. The average daily balance of commercial paper outstanding during the six months ended May 31, 2005 was \$54,810,353 at a weighted discount rate of 2.70%. The maximum amount of commercial paper outstanding at any time during the period was \$55,000,000. On June 24, 2005, the Fund reduced the commercial paper outstanding to \$48 million in conjunction with the tender offer. In conjunction with the issuance of the commercial paper, the Fund entered into a line of credit arrangement with J.P. Morgan Chase for \$30,000,000. Interest on borrowings is based on market rates in effect at the time of borrowing. The commitment fee is computed at the rate of 0.15% per annum on the unused balance. For the six months ended May 31, 2005, the Fund was charged fees of \$15,083 which are included in "commercial paper fees" on the Statement of Operations. During the six months ended May 31, 2005, there were no borrowings under this arrangement.

### 7. SECURITIES LENDING

The Fund, along with other funds in the Delaware Investments Family of Funds, may lend its securities pursuant to a security lending agreement (Lending Agreement) with J.P. Morgan Chase. Initial security loans made pursuant to the Lending Agreement are required to be secured by U.S. Treasury obligations and/or cash collateral not less than 102% of the market value of the securities issued in the United States. With respect to each loan, if the aggregate market value of the collateral held on any business day is less than the aggregate market value of the securities which are the subject of such loan, the borrower will be notified to provide additional collateral not less than the applicable collateral requirements. Cash collateral received is invested in fixed-income securities, with a weighted average maturity not to exceed 90 days, rated in one of the top two tiers by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. or repurchase agreements collateralized by such securities. However, in the event of default or bankruptcy by the lending agent, realization and/or retention of the collateral may be subject to legal proceedings. In the event the borrower fails to return loaned securities and the collateral received is insufficient to cover the value of the loaned securities and provided such collateral shortfall is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Fund, or at the

NOTES  
TO FINANCIAL STATEMENTS (CONTINUED)

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

7. SECURITIES LENDING (CONTINUED)

discretion of the lending agent, replace the loaned securities. The Fund continues to record dividends on the securities loaned and is subject to change in value of the securities loaned that may occur during the term of the loan. The Fund has the right under the Lending Agreement to recover the securities from the borrower on demand. The security lending agent and the borrower retain a portion of the earnings from the collateral investments. The Fund records security lending income net of such allocation.

At May 31, 2005, the market value of securities on loan was \$27,419,854, for which cash collateral was received and invested in accordance with the Lending Agreement. Such investments are presented on the Statement of Net Assets under the caption "Securities Lending Collateral."

8. CREDIT AND MARKET RISKS

The Fund invests in high-yield fixed income securities, which carry ratings of BB or lower by Standard & Poor's Rating Group and/or Ba or lower by Moody's Investors Services, Inc. Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities.

The Fund may invest up to 10% of its total assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. At May 31, 2005, 144A securities represented approximately 13.85% of total assets. None of these securities have been determined to be illiquid securities under the Fund's Liquidity Procedures. While maintaining oversight, the Board of Directors has delegated to the investment adviser the day-to-day functions of determining whether individual Rule 144A securities are liquid for purposes of a fund's limitation on investments in illiquid assets. Illiquid securities, if any, have been denoted on the Statement of Net Assets.

The Fund invests in real estate investment trusts (REITs) and is subject to some of the risks associated with that industry. If the Fund holds real estate directly as a result of defaults or receives rental income directly from real estate holdings, its tax status as a regulated investment company may be jeopardized. There were no direct holdings during the six months ended May 31, 2005. The Fund's REIT holdings are also affected by interest rate changes, particularly if the REITs it holds use floating rate debt to finance their ongoing operations.

9. CONTRACTUAL OBLIGATIONS

The Fund enters into contracts in the normal course of business that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts. Management has reviewed the Fund's existing contracts and expects the risk of loss to be remote.



## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

OTHER  
FUND INFORMATION

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

BOARD CONSIDERATION OF DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
INVESTMENT ADVISORY AGREEMENT

At a meeting held on May 18-19, 2005 (the "Annual Meeting"), the Board of Directors, including a majority of disinterested or independent Directors, approved the renewal of the Investment Advisory Agreement for the Delaware Investments(R) Dividend and Income Fund, Inc. (the "Fund"). In making its decision, the Board considered information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the Annual Meeting. Information furnished and discussed throughout the year included reports detailing Fund performance, investment strategies, expenses, compliance matters and other services provided by Delaware Management Company ("DMC"), the investment adviser. Information furnished specifically in connection with the Annual Meeting included materials provided by DMC and its affiliates ("Delaware Investments") concerning, among other things, the level of services provided to the Fund, the costs of such services to the Fund, economies of scale and the financial condition and profitability of Delaware Investments. In addition, in connection with the Annual Meeting, the Board separately received and reviewed independent historical and comparative reports prepared by Lipper Inc. ("Lipper"), an independent statistical compilation organization. The Lipper reports compared the Fund's investment performance and expenses with those of other comparable mutual funds. The Board also requested and received certain supplemental information regarding management's policy with respect to advisory fee levels and its philosophy with respect to breakpoints; the structure of portfolio manager compensation; the investment manager's profitability organized by client type, including the Fund; and any constraints or limitations on the availability of securities in certain investment styles which might inhibit the adviser's ability to fully invest in accordance with the Fund's policies.

In considering such materials, the independent Directors received assistance and advice from and met separately with independent counsel and representatives from Lipper. At the meeting with representatives from Lipper, Jude Driscoll, Chairman of the Delaware Investments Family of Funds, and Chairman and Chief Executive Officer of the investment adviser, was present to respond to questions raised by Lipper and the independent Directors. While the Board considered the Investment Advisory Agreements for all of the funds in the Delaware Investments Family of Funds at the same Board meeting, information was provided and considered by the Board for each fund individually. In approving the continuance of the Investment Advisory Agreement for the Fund, the Board, including a majority of independent Directors, determined that the existing advisory fee structure was fair and reasonable and that the continuance of the Investment Advisory Agreement was in the best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses the primary factors relevant to the Board's deliberations and determination, including those relating to the selection of the investment adviser and the approval of the advisory fee.

NATURE, EXTENT AND QUALITY OF SERVICE. Consideration was given to the services provided by Delaware Investments to the Fund and its shareholders. In reviewing the nature, extent and quality of services, the Board emphasized reports furnished to it throughout the year at regular Board meetings covering matters such as the compliance of portfolio managers with the investment policies, strategies and restrictions for the Fund, the compliance of management personnel with the Code of Ethics adopted throughout the Delaware Investments Family of Funds complex, the adherence to fair value pricing procedures as established by the Board, and the accuracy of net asset value calculations. The Board noted that it was pleased with the current staffing of the Fund's investment adviser during the past year, the emphasis on research and the compensation system for

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

advisory personnel. Favorable consideration was given to DMC's efforts to maintain, and in some instances increase, financial and human resources committed to fund matters. Other factors taken into account by the Board were Delaware Investments' preparedness for, and response to, legal and regulatory matters. The Board was satisfied with the nature, extent and quality of the overall services provided by Delaware Investments.

INVESTMENT PERFORMANCE. The Board considered the investment performance of DMC and the Fund. The Board was pleased by DMC's investment performance, noting Barron's ranking of the Delaware Investments Family of Funds in the top quartile of mutual fund families for 2002 -- 2004. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the Annual Meeting. The Lipper reports prepared for the Fund showed the investment performance of its shares in comparison to a group of similar funds as selected by Lipper (the "Performance Universe"). A fund with the highest performance is ranked first, and a fund with the lowest is ranked last. The highest/best performing 25% of funds in the Performance Universe make up the first quartile; the next 25% -- the second quartile; the next 25% -- the third quartile; and the lowest/worst performing 25% of funds in the Performance Universe make up the fourth quartile. Comparative annualized performance for the Fund was shown for the past one, three, five and 10 year periods ended February 28, 2005. The Board noted its objective that the Fund's performance be at or above the median of its Performance Universe. The following summarizes the performance results for the Fund and the Board's view of such performance.

The Performance Universe for this Fund consisted of the Fund and all leveraged closed-end income and preferred stock funds as selected by Lipper. The Lipper report comparison showed that the Fund's total return for the one, three, five and 10 year periods was in the first quartile of such Performance Universe. The Board was satisfied with such performance.

14

OTHER DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.  
FUND INFORMATION (CONTINUED)

COMPARATIVE EXPENSES. The Board considered expense comparison data for the Delaware Investments Family of Funds, Delaware Investments' institutional separate account business and other lines of business at Delaware Investments. The Board stated its belief that, given the differing level of service provided to Delaware Investments' various clients and other factors that related to the establishment of fee levels, variations in the levels of fees and expenses were justified. The Board placed significant emphasis on the comparative analysis of the management fees and total expense ratios of the Fund compared with those of a group of similar leveraged closed-end funds as selected by Lipper (the "Expense Group") and among the other Delaware Investments funds. In reviewing comparative costs, the Fund's contractual management fee and the actual management fee incurred by the Fund were compared with the contractual management fees (assuming all funds in the Expense Group were similar in size to the Fund) and actual management fees (as reported by each fund) of other funds within the Expense Group, taking into effect any applicable breakpoints and fee waivers. The Fund's total expenses were also compared with those of its Expense Group. The Board noted its objective to limit the Fund's total expense ratio to an acceptable range as compared to the median of the Expense Group. The following paragraph summarizes the expense results for the Fund and the Board's view of such expenses.

Such expense comparisons for the Fund showed that its management fee and total expenses were in the quartile with the lowest expenses of its Expense Group. The

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

Board was satisfied with the management fees and total expenses of the Fund in comparison to its Expense Group as shown in the Lipper report.

MANAGEMENT PROFITABILITY. The Board considered the level of profits, if any, realized by Delaware Investments in connection with the operation of the Fund. In this respect, the Board reviewed the Investment Management Profitability Analysis that addressed the overall profitability of Delaware Investments' business in providing management and other services to each of the individual funds and the Delaware Investments Family of Funds as a whole. Specific attention was given to the methodology followed in allocating costs for the purpose of determining profitability. Management stated that the level of profits of Delaware Investments, to a certain extent, reflected operational cost savings and efficiencies initiated by Delaware Investments. The Board considered Delaware Investments' expenditures to improve services provided to fund shareholders and to meet additional regulatory and compliance requirements resulting from the Sarbanes-Oxley Act and recent SEC initiatives. The Board also considered the extent to which Delaware Investments might derive ancillary benefits from fund operations, including the potential for procuring additional business as a result of the prestige and visibility associated with its role as service provider to the Delaware Investments Family of Funds, the benefits from allocation of fund brokerage to improve trading efficiencies and the use of "soft" commission dollars to pay for proprietary and non-proprietary research. At the Board's request, management also provided information relating to Delaware Investments' profitability by client type. The information provided set forth the revenue, expenses and pre-tax income/loss attributable to the Delaware Investments Family of Funds, Delaware Investments' separate account business and other lines of business at Delaware Investments. Emphasis was given to the level and type of service provided to the various clients. The Board was satisfied with the level of profits realized by Delaware Investments from the relationships with the Fund and the Delaware Investments Family of Funds.

ECONOMIES OF SCALE. As a closed-end fund, the Fund does not issue shares on a continuous basis. Fund assets increase only to the extent that the value of the underlying securities in the Fund increase. Accordingly, the Board determined that the Fund was not likely to experience significant economies of scale due to asset growth and, therefore, a fee schedule with breakpoints to pass the benefit of such economies of scale on to shareholders was not likely to provide the intended effect.

15

Delaware  
Investments (R)

[LOGO]

-----  
A member of Lincoln Financial Group

This semiannual report is for the information of Delaware Investments Dividend and Income Fund, Inc. shareholders. The figures in this report represent past results which are not a guarantee of future results. The return and principal value of an investment in the Fund will fluctuate so that shares, when sold, may be worth more or less than their original cost. Notice is hereby given in accordance with Section 23 (c) of the Investment Company Act of 1940 that the Fund may, from time to time, purchase shares of its Common Stock on the open market at market prices.

### BOARD OF DIRECTORS

JUDE T. DRISCOLL  
Chairman  
Delaware Investments Family of Funds  
Philadelphia, PA

### AFFILIATED OFFICERS

MICHAEL P. BISHOP  
Senior Vice President and  
Chief Investment Officer  
Delaware Investments Family of Funds

### CONTACT INFORMATION

INVESTMENT MANAGER  
Delaware Investments Family of Funds  
Philadelphia, PA

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

THOMAS L. BENNETT+  
Private Investor  
Rosemont, PA

JOHN A. FRY  
President  
Franklin & Marshall College  
Lancaster, PA

ANTHONY D. KNERR  
Managing Director  
Anthony Knerr & Associates  
New York, NY

LUCINDA S. LANDRETH  
Former Chief Investment Officer  
Assurant, Inc.  
Philadelphia, PA

ANN R. LEVEN  
Former Treasurer/Chief Fiscal Officer  
National Gallery of Art  
Washington, DC

THOMAS F. MADISON+  
President and Chief Executive Officer  
MLM Partners, Inc.  
Minneapolis, MN

JANET L. YEOMANS+  
Vice President/Mergers & Acquisitions  
3M Corporation  
St. Paul, MN J.

RICHARD ZECHER+  
Founder  
Investor Analytics  
Scottsdale, AZ

Philadelphia, PA

RICHELLE S. MAESTRO  
Executive Vice President,  
Chief Legal Officer and Secretary  
Delaware Investments Family of Funds  
Philadelphia, PA

JOHN J. O'CONNOR  
Senior Vice President and Treasurer  
Delaware Investments Family of Funds  
Philadelphia, PA

PRINCIPAL OFFICE  
2005 Market Street  
Philadelphia, PA

INDEPENDENT REGISTERED  
ACCOUNTING FIRM  
Ernst & Young  
2001 Market Street  
Philadelphia, PA

REGISTRANT AND  
Mellon Investment Services  
Overpeck Center  
85 Challenger  
Ridgefield, NJ  
800 851-9677

FOR SECURITIES  
INSTITUTIONS R  
800 362-7500

WEB SITE  
www.delawareinvestments.com

-----  
The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q, as well as a description of the policies and procedures that the Fund uses to determine how to vote proxies (if any) relating to portfolio securities is available without charge (i) upon request, by calling 800 523-1918; (ii) on the Fund's Web site at <http://www.delawareinvestments.com>; and (iii) on the Commission's Web site at <http://www.sec.gov>. The Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Information (if any) regarding how the Fund voted proxies relating to portfolio securities during the most recently disclosed 12-month period ended June 30 is available without charge (i) through the Fund's Web site at <http://www.delawareinvestments.com>; and (ii) on the Commission's Web site at <http://www.sec.gov>.

-----

Your Reinvestment Options  
Delaware Investments Dividend and Income Fund, Inc. offers an automatic dividend reinvestment program. If you would like to reinvest dividends, and shares are

## Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

registered in your name, contact Mellon Investor Services, LLC at 800 851-9677. You will be asked to put your request in writing. If you have shares registered in "street" name, contact the broker/dealer holding the shares or your financial advisor.

-----

+Audit Committee Member

(9486)  
SA-DDF [5/05] IVES 7/05

Printed in the USA  
J05-06-089 P010229

Item 2. Code of Ethics

Not applicable.

Item 3. Audit Committee Financial Expert

Not applicable.

Item 4. Principal Accountant Fees and Services

Not applicable.

Item 5. Audit Committee of Listed Registrants

Not applicable.

Item 6. Schedule of Investments

Included as part of report to shareholders filed under Item 1 of this Form N-CSR.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

Not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable to Form N-CSRs filed after fiscal years ending on or after December 31, 2005.

Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by the report to stockholders included herein (i.e., the registrant's second fiscal quarter) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

(a) (1) Code of Ethics

Not applicable.

(2) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2 under the Investment Company Act of 1940 are attached hereto as Exhibit 99.CERT.

(3) Written solicitations to purchase securities pursuant to Rule 23c-1 under the Securities Exchange Act of 1934.

Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are furnished herewith as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

/s/ Jude T. Driscoll

-----  
By: Jude T. Driscoll  
Title: Chief Executive Officer  
Date: July 22, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Jude T. Driscoll

-----  
By: Jude T. Driscoll  
Title: Chief Executive Officer  
Date: July 22, 2005

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-CSR

/s/ Michael P. Bishof

-----  
By: Michael P. Bishof  
Title: Chief Financial Officer  
Date: July 22, 2005