

**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 811-07358

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**Duff & Phelps Utility and Corporate Bond Trust  
Inc.**

(Exact name of registrant as specified in charter)

**55 East Monroe Street, Suite 3600, Chicago, Illinois**

(Address of principal executive offices)

**60603**

(Zip code)

**Alan M. Meder  
Duff & Phelps Utility and Corporate Bond Trust Inc.  
55 East Monroe Street, Suite 3600  
Chicago, Illinois 60603**

**John R. Sagan  
Mayer, Brown, Rowe & Maw LLP  
71 South Wacker Drive  
Chicago, Illinois 60606**

(Name and address of agents for service)

Registrant's telephone number, including area code: (312) 541-5555

Date of fiscal year end: December 31

Date of reporting period: December 31, 2006

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ITEM 1. REPORTS TO STOCKHOLDERS.

**Dear Fellow Shareholders:****YOUR FUND'S PERFORMANCE**

During the second half of 2006, the performance of leveraged bond funds, including Duff & Phelps Utility and Corporate Bond Trust Inc. (the "DUC Fund"), was bolstered by both a drop in the general level of interest rates and high levels of demand in the credit markets. The decline in interest rates was associated with a pause in the tightening of U.S. monetary policy by the Federal Reserve. The increase in demand in the corporate credit markets was in part due to elevated levels of global liquidity and the resultant influx of demand for U.S. securities by foreign investors. Such demand was enough to offset volatility in the credit markets associated with speculation surrounding potential mergers and acquisitions (M&A) activity. As a result of these factors, the DUC Fund, similar to the broader fixed-income market, posted solid returns, while the traditional equity markets were the beneficiaries of strong corporate profitability and a sound economic environment. The following table compares the performance of the DUC Fund to various market benchmarks.

| For the period indicated through December 31, 2006 | DUC Fund<br>(Per share performance with dividends reinvested in Fund plan) | DUC Fund<br>(NAV-based performance) | Lehman<br>Aggregate<br>Bond Index | Dow Jones<br>Industrial Index<br>(dividends reinvested) | S&P 500<br>Index<br>(dividends reinvested) |
|--|--|-------------------------------------|-----------------------------------|---|--|
| Six Months   | 6.51%  | 4.44%                               | 5.09%                             | 13.14%  | 12.74%                                     |
| One Year   | (4.82%)  | 2.75%                               | 4.33%                             | 19.05%  | 15.80%                                     |
| 5 Years<br>(annualized)                            | 5.04%  | 5.63%                               | 5.06%                             | 6.81%   | 6.19%                                      |

Performance returns for the Dow Jones Industrial Index, the S&P 500 Index and the Lehman Aggregate Bond Index were obtained from Confluence Technologies Inc. DUC Fund per share-based returns and DUC Fund NAV-based returns were obtained from the Administrator of the DUC Fund. Past performance is not indicative of future results.

Based on the year-end closing price of \$11.62 and a monthly dividend of \$0.065 per share, the DUC Fund common stock had an annualized dividend yield of 6.71%. The DUC Fund's yield compares favorably with the 1.81% dividend yield of the S&P 500 Index and the 5.34% yield of the Lehman Aggregate Bond Index.

**MARKET OVERVIEW AND OUTLOOK**

Over the second half of 2006, U.S. economic growth moderated, as many of the headwinds the economy faced earlier in the year began to take their toll. The impact of over 400 basis points of monetary tightening by the Federal Reserve and a slowdown in the U.S. housing market restrained overall economic activity. Uncomfortably large increases in consumer inflation were tempered by declines in energy prices in the fall, but core inflation still remained above the upper boundary of the Federal Reserve's desired range. Significant amounts of global liquidity supported prices of financial assets. As usual, investors were confronted with countervailing issues that influenced equity market returns. Event risk in the equity markets remained high, as much of corporate America continued to come under pressure from shareholders to generate higher returns, thus stimulating the re-emergence of M&A activity. Concerns were raised as a large part of the investment flowing to the U.S. from overseas appeared to find its way into some of the potentially more volatile areas of the financial markets, such as private equity funds and high yield bonds. In addition to ongoing geopolitical turmoil, U.S. investors had to consider the impact of a declining U.S. housing market on overall consumer spending. Offsetting some of these concerns were continuing sound employment statistics and robust corporate profitability. In general, the momentum enjoyed by the U.S. economy allowed equity investors to look beyond the uncertainties, resulting in strong returns for the equity markets.

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From mid-year 2004 to mid-year 2006, the target federal funds rate had been gradually increased in 25 basis point increments at each meeting of the Federal Open Market Committee. The last move, which took place on June 29, 2006, was the seventeenth 25 basis point increase. That increase brought the federal funds target rate from a multi-decade low of 1.00% in 2004 to its current level of 5.25%. A pause in the tightening of monetary policy by the Federal Reserve over the remainder of the year, along with moderation in the pace of U.S. economic growth, created an environment in which short-term interest rates held steady and long-term interest rates drifted lower. Over the second half of the year, the federal funds target rate remained at 5.25%, while the U.S. Treasury yield curve moved downward. Yields decreased by 34 basis points on two-year maturities, by 43 basis points on ten-year maturities and by 38 basis points on thirty-year maturities. As a result, the broad fixed income markets posted solid returns for the second half of 2006.

Looking forward to the first half of 2007, the U.S. economy is expected to grow at a more moderate pace, in part due to the delayed effect of two years of monetary policy tightening. After more than three years of above trend growth, the U.S. economy is likely to transition to a slower rate of growth, causing some to believe the Federal Reserve may be close to achieving the elusive "soft landing". Since the accommodative monetary policy that had been in place from 2001 to 2004 has been largely removed, effectively leading to a more neutral monetary environment, Federal Reserve policy is expected to be "data dependent" and further adjustments to monetary policy will likely be based on current economic conditions and inflation expectations. Given a moderating, though still solid, economic outlook and the potential for core inflation to remain above the Federal Reserve's comfort zone, market participants are expecting the Federal Reserve to hold rates steady in the near term, while closely monitoring economic conditions. Consumer spending may be hampered by a decline in housing activity and mortgage refinancing. Business should remain the primary driver of U.S. economic growth, though increasing levels of global competition imply that U.S. corporate profitability may flatten significantly following several consecutive years of double-digit growth. Although corporate fundamentals in the U.S. remain solid, businesses with healthy balance sheets may become takeover targets if they exhibit weak equity performance. Pressure on companies to return capital to shareholders in the form of stock buybacks and special dividends is likely to continue. Such actions are often detrimental to bondholders. At the same time, strong demand for corporate bonds from both domestic and foreign investors has driven up valuations in the corporate bond markets to potentially unsustainable levels. Therefore volatility in the corporate bond market is expected to increase. In addition, an environment of sustained U.S. economic growth and heightened uncertainty about inflation could set the stage for continued upward pressure on the general level of interest rates. Under this scenario, the returns of leveraged bond funds would be restrained, both by the impact of high short-term interest rates on the cost of leverage and negative pressure on bond valuations due to increased volatility and the potential for rising long-term interest rates.

#### **ABOUT YOUR FUND**

The use of leverage enables the Fund to borrow at short-term rates and invest at long-term rates. As of September 30, 2006, the Fund's leverage consisted of \$138 million of outstanding commercial paper notes ("CP Notes"). Toward the end of October, the Fund completed an offering of Auction Market Preferred Shares ("AMPS") in the amount of \$190 million. The Fund used this offering of AMPS to reconfigure and expand its use of leverage, as a portion of the net proceeds were used to retire the outstanding CP Notes. The remaining net proceeds were invested in accordance with the Fund's investment objective and policies. Following the issuance of the AMPS and the retirement of the CP Notes, the amount of leverage represented by the AMPS constituted approximately 38% of the Fund's total assets. The amount and type of leverage used is determined by the Fund's

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Board of Directors based on the Fund's expected earnings relative to the anticipated costs (including fees and expenses) associated with the leverage. In addition, the longer term expected benefits of leverage are carefully weighed against the potential effect of increasing the volatility of both the Fund's net asset value and the market value of its common stock. Since the costs associated with discontinuing or initiating a leverage program based on short-term trends can be substantial, it is important to take a longer-term view when evaluating the merits of using leverage. Historically, the tendency of the U.S. yield curve to exhibit a positive slope (*i.e.*, long rates higher than short rates) fosters an environment in which leverage can add incremental value. Recently, the Fund's cost of leverage has increased, partly in response to the series of increases in the federal funds target rate by the Federal Reserve. The use of leverage is still beneficial to the Fund, although at a reduced rate because of the reduced spread between the rate at which the Fund is able to borrow and the rate at which it is invested.

The Fund seeks to provide investors with a stable monthly dividend that is primarily derived from current fiscal year net investment income. At times, a portion of the distribution may also be derived from realized capital gains and, to the extent necessary, paid-in-capital, in which case the Fund is required to inform shareholders of the sources of the distribution based on U.S. generally accepted accounting principles ("GAAP"). For the year ended December 31, 2006, under GAAP, 76% of the total distributions were attributable to current year net investment income and 24% was in excess of current year net investment income and was therefore attributable to paid-in-capital. However, the characterization of the Fund's distributions for GAAP purposes and federal income tax purposes may differ primarily due to the accounting treatment of amortization for premiums and accretion for discounts on fixed income securities. For Federal income tax purposes, 100% of distributions in 2006 were derived from net investment income rather than from paid-in-capital.

#### **DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN AND DIRECT DEPOSIT**

To those of you receiving dividends in cash, you may want to consider taking advantage of the dividend reinvestment and cash purchase plan (the "Plan") available to all registered shareholders of the DUC Fund. Under the Plan, the DUC Fund absorbs all administrative costs (except brokerage commissions, if any) so that the total amount of your dividends and other distributions may be reinvested in additional shares of the DUC Fund. Also, the cash purchase option permits participants to purchase shares in the open market through the Plan Agent. Additional information about the Plan is available from the Plan Agent, The Bank of New York, at 1-800-524-4458, or for more details, please refer to page 24.

For those shareholders receiving dividend checks, you may want to consider having your monthly dividends deposited, free of charge, directly into your bank account through electronic funds transfer. Direct deposit provides the convenience of automatic and immediate access to your funds, while eliminating the possibility of mail delays and lost, stolen or destroyed checks. Additional information about direct deposit is available from The Bank of New York, at 1-800-432-8224.

For more information about the DUC Fund, shareholders can access [www.phoenixinvestments.com](http://www.phoenixinvestments.com).

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We appreciate your investment in Duff & Phelps Utility and Corporate Bond Trust Inc. and look forward to continuing our service to you.

Sincerely,



Francis E. Jeffries, CFA  
Chairman of the Board



Nathan I. Partain, CFA  
President & CEO

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**PORTFOLIO OF INVESTMENTS**  
December 31, 2006

| Principal<br>Amount<br>(000) | Description  | Value<br>(Note 1) |
|------------------------------|--|-------------------|
|                              | <b>LONG-TERM INVESTMENTS—154.0%</b>  |                   |
|                              | <b>U.S. Government and Agency Obligations—13.6%</b>                        |                   |
|                              | Federal National Mortgage Association,                                     |                   |
| \$ 385                       | 8.00%, 10/01/30  | \$ 405,456        |
| 1,304                        | 7.00%, 12/01/31  | 1,342,282         |
|                              | Government National Mortgage Association<br>Pass-Through Certificates,     |                   |
| 21                           | 7.00%, 3/15/26   | 21,872            |
| 245                          | 7.50%, 5/15/26   | 256,509           |
| 95                           | 8.00%, 11/15/30  | 100,842           |
| 103                          | 8.00%, 2/15/31   | 109,449           |
| 40,000                       | U.S. Treasury Bonds,<br>10.375%, 11/15/12                                  | 41,790,640        |
|                              | <b>Total U.S. Government and Agency Obligations</b><br>(Cost \$47,818,136) | <u>44,027,050</u> |
|                              | <b>Corporate Bonds—135.0%</b>  |                   |
|                              | <b>Auto &amp; Truck—3.2%</b>   |                   |
| 10,000                       | DaimlerChrysler NA Holdings,<br>7.20%, 9/01/09                             | <u>10,379,820</u> |
|                              | <b>Financial—38.4%</b>   |                   |
| 3,000                        | Aegon NV,<br>9.375%, 3/01/08   | 3,109,884         |
| 4,910                        | Bank United,<br>8.00%, 3/15/09   | 5,157,297         |
| 5,000                        | Boeing Capital Corp.,<br>6.50%, 2/15/12                                    | 5,277,625         |
| 6,000                        | Duke Realty Corp, L.P.,<br>6.80%, 2/12/09                                  | 6,148,740         |
| 5,000                        | ERP Operating Limited Partnership,<br>6.625%, 3/15/12                      | 5,277,800         |
| 7,000                        | Firststar Bank, N.A.,<br>7.125%, 12/01/09                                  | 7,365,372         |
| 7,565                        | General Electric Capital Corporation,<br>8.625%, 6/15/08                   | 7,904,570         |

See Notes to Financial Statements.

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**PORTFOLIO OF INVESTMENTS—(Continued)**  
December 31, 2006

| Principal<br>Amount<br>(000) | Description  | Value<br>(Note 1) |
|------------------------------|--|-------------------|
| <b>Financial (Continued)</b> |  |                   |
| \$ 10,000                    | Great Western Financial Trust II,<br>8.206%, 2/01/27         | \$ 10,427,190     |
| 16,000                       | Household Finance Corp.,<br>8.00%, 7/15/10                   | 17,394,160        |
| 10,000                       | JPMorgan Chase & Co.,<br>7.875%, 6/15/10                     | 10,831,200        |
| 5,000                        | Mack-Cali Realty L.P.,<br>7.75%, 2/15/11                     | 5,391,795         |
| 5,000                        | Merrill Lynch & Co.,<br>6.50%, 7/15/18                       | 5,390,675         |
| 5,000                        | 6.875%, 11/15/18   | 5,565,600         |
| 10,000                       | NationsBank Capital Trust IV,<br>8.25%, 4/15/27              | 10,438,170        |
| 5,000                        | Simon Property Group, L.P.,<br>7.125%, 2/09/09               | 5,170,170         |
| 5,000                        | 7.00%, 7/15/09   | 5,186,455         |
| 7,500                        | Verizon Global Funding Corp.,<br>7.375%, 9/01/12             | 8,209,463         |
|                              |  | 124,246,166       |
| <b>Industrial—25.3%</b>      |  |                   |
| 5,000                        | Archer-Daniels-Midland Company,<br>8.125%, 6/01/12           | 5,639,670         |
| 5,000                        | Occidental Petroleum Corporation,<br>9.25%, 8/01/19          | 6,597,195         |
| 5,000                        | Sun Company, Inc.,<br>9.00%, 11/1/24                         | 6,617,750         |
| 5,275                        | Tele-Communications, Inc.,<br>10.125%, 4/15/22               | 7,055,323         |
| 3,200                        | 9.875%, 6/15/22  | 4,220,394         |
| 5,000                        | Time Warner Entertainment Company, L.P.,<br>8.875%, 10/01/12 | 5,754,130         |
| 5,000                        | Time Warner, Inc.,<br>9.15%, 2/01/23                         | 6,199,610         |

See Notes to Financial Statements.

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**PORTFOLIO OF INVESTMENTS—(Continued)**  
December 31, 2006

| Principal<br>Amount<br>(000)    | Description   | Value<br>(Note 1) |
|---------------------------------|---|-------------------|
| <b>Industrial (Continued)</b>   |   |                   |
| \$ 10,000                       | Trans-Canada Pipelines Limited,<br>9.875%, 1/01/21        | \$ 13,688,190     |
| 7,000                           | Union Pacific Corp.,<br>7.375%, 9/15/09                   | 7,373,464         |
| 10,000                          | USX Corporation,<br>9.125%, 1/15/13                       | 11,907,100        |
| 6,500                           | Weyerhaeuser Co.,<br>6.75%, 3/15/12                       | 6,824,409         |
|                                 |   | <u>81,877,235</u> |
| <b>Retail—1.6%</b>              |   |                   |
| 5,000                           | Wal-Mart Stores, Inc.,<br>6.875%, 8/10/09                 | <u>5,212,220</u>  |
| <b>Telephone—20.4%</b>          |   |                   |
| 10,000                          | Bell Canada, Inc.,<br>9.50%, 10/15/10                     | 11,300,820        |
| 7,000                           | British Telecommunications PLC,<br>8.625%, 12/15/10       | 7,818,650         |
| 12,000                          | Deutsche Telekom International Finance,<br>8.00%, 6/15/10 | 13,003,788        |
| 5,000                           | France Telecom SA<br>7.75%, 3/01/11                       | 5,451,220         |
| 5,000                           | Koninklijke (Royal) KPN NV,<br>8.00%, 10/01/10            | 5,399,285         |
| 5,000                           | New Cingular Wireless Services Inc.,<br>8.125%, 5/01/12   | 5,632,490         |
| 5,000                           | New York Telephone Co.,<br>8.625%, 11/15/10               | 5,458,540         |
| 10,125                          | Sprint Corp.,<br>9.25%, 4/15/22                           | <u>12,134,256</u> |
|                                 |   | <u>66,199,049</u> |
| <b>Utilities-Electric—46.1%</b> |   |                   |
| 10,000                          | AGL Capital Corp.,<br>7.125%, 1/14/11                     | 10,554,310        |

See Notes to Financial Statements.

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**PORTFOLIO OF INVESTMENTS—(Continued)**  
December 31, 2006

| Principal<br>Amount<br>(000) | Description  | Value<br>(Note 1)  |
|------------------------------|--|--------------------|
|                              | <b>Utilities-Electric (Continued)</b>                  |                    |
| \$ 2,750                     | Alabama Power Co.,<br>7.125%, 10/01/07                 | \$ 2,782,612       |
| 10,000                       | CalEnergy Company, Inc.,<br>8.48%, 9/15/28             | 12,783,300         |
| 10,000                       | CenterPoint Energy Resources Corp.,<br>7.75%, 2/15/11  | 10,786,910         |
| 17,438                       | ComEd Financing II,<br>8.50%, 1/15/27                  | 17,792,113         |
| 10,000                       | Dominion Resources, Inc.,<br>8.125%, 6/15/10           | 10,852,470         |
| 10,000                       | Duke Energy Corporation,<br>7.375%, 3/01/10            | 10,600,950         |
| 10,000                       | Hydro-Quebec,<br>7.50%, 4/01/16                        | 11,634,930         |
| 8,485                        | Illinois Power Co.,<br>7.50%, 6/15/09                  | 8,825,376          |
| 10,088                       | KeySpan Gas East Corporation,<br>7.875%, 2/01/10       | 10,777,010         |
| 2,348                        | Progress Energy, Inc.,<br>7.10%, 3/01/11               | 2,502,754          |
| 10,000                       | Sempra Energy,<br>7.95%, 3/01/10                       | 10,735,990         |
| 5,512                        | Southern California Edison Company,<br>7.625%, 1/15/10 | 5,847,708          |
| 6,000                        | South Carolina Electric & Gas Co.,<br>6.125%, 3/01/09  | 6,109,338          |
| 6,000                        | Wisconsin Energy Corp.,<br>6.50%, 4/01/11              | 6,235,182          |
| 10,131                       | Xcel Energy, Inc.,<br>7.00%, 12/01/10                  | 10,694,608         |
|                              |  | <u>149,515,561</u> |
|                              | <b>Total Corporate Bonds</b><br>(Cost \$429,438,038)   | <u>437,430,051</u> |

See Notes to Financial Statements.

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**PORTFOLIO OF INVESTMENTS—(Continued)**  
December 31, 2006

| <b>Principal<br/>Amount<br/>(000)</b> | <b>Description</b>  | <b>Value<br/>(Note 1)</b> |
|---------------------------------------|---|---------------------------|
|                                       | <b>Asset-Backed Securities—1.7%</b>                                   |                           |
| \$ 5,000                              | Detroit Edison Securitization Funding LLC 2001-1 A6<br>6.62%, 3/01/16 | \$ 5,449,480              |
|                                       | <b>Total Asset-Backed Securities</b><br>(Cost \$5,925,000)            | <u>5,449,480</u>          |
|                                       | <b>Shares</b>   |                           |
|                                       | <b>Non-Convertible Preferred Stock—3.7%<br/>Financial—3.7%</b>        |                           |
| 100,000                               | Duke Realty Corp. Series M,<br>6.95%                                  | 2,598,000                 |
| 100,000                               | Duke Realty Corp.,<br>7.25%   | 2,658,000                 |
| 120,000                               | Public Storage, Inc., Series I,<br>7.25%                              | 3,135,000                 |
| 100,000                               | Realty Income Corp.,<br>7.375%  | 2,600,000                 |
| 50,000                                | Vornado Realty Trust I,<br>6.625%                                     | 1,245,500                 |
|                                       | <b>Total Non-Convertible Preferred Stock</b><br>(Cost 11,734,000)     | <u>12,236,500</u>         |
|                                       | <b>Total Long-Term Investments</b><br>(Cost \$494,915,174)            | <u>499,143,081</u>        |
|                                       | <b>SHORT-TERM INVESTMENTS—0.6%</b>                                    |                           |
| \$ 1,800                              | U.S. Treasury Bills,<br>4.76%, 1/25/07<br>(Cost \$1,794,288)          | 1,794,288                 |
|                                       | <b>Total Investments—154.6%</b><br>(Cost \$496,709,462)               | 500,937,369               |
|                                       | Other Assets in Excess of Liabilities <sup>o</sup> 4.0%               | 13,118,256                |
|                                       | Liquidation Value of Preferred Shares <sup>o</sup> (58.6)%            | <u>(190,000,000)</u>      |
|                                       | <b>Net Assets Applicable to Common Stock—100%</b>                     | <u>\$ 324,055,625</u>     |

See Notes to Financial Statements.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**PORTFOLIO STATISTICS**  
December 31, 2006

**Summary of Ratings as a Percentage of Long-Term Investments**  
**As of December 31, 2006 (unaudited)**

| <u>Rating *</u> | <u>%</u> |
|-----------------|----------|
| AAA             | 11.8     |
| AA              | 8.2      |
| A               | 26.9     |
| BBB             | 49.6     |
| BB              | 3.5      |
|                 | <hr/>    |
|                 | 100.0    |

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\* Based on the lowest rating of Standard and Poor's Ratings Services or Moody's Investors Service, Inc.



See Notes to Financial Statements.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**December 31, 2006**

**ASSETS**

|  |               |
|--|---------------|
| Investments, at value (cost \$496,709,462) | \$500,937,369 |
| Cash                                       | 3,990,967     |
| Interest receivable                        | 9,712,080     |
| Dividends receivable                       | 36,068        |
| Other assets (Note 8)                      | 423,316       |
|  | <hr/>         |
| Total assets                               | 515,099,800   |
|  | <hr/>         |

**LIABILITIES**

|  |           |
|--|-----------|
| Deferred compensation payable (Note 8)                 | 381,380   |
| Investment advisory fee payable (Note 2)               | 262,267   |
| Dividends payable on Auction Market Preferred Shares   | 113,011   |
| Administrative fee payable (Note 2)                    | 49,795    |
| Offering costs payable-Auction Market Preferred Shares | 32,959    |
| Accrued expenses                                       | 204,763   |
|  | <hr/>     |
| Total liabilities                                      | 1,044,175 |
|  | <hr/>     |

|  |             |
|--|-------------|
| Auction Market Preferred Shares, 7,600 shares issued and outstanding, liquidation preference \$25,000 per share (Note 6) | 190,000,000 |
|  | <hr/>       |

**NET ASSETS APPLICABLE TO COMMON STOCK** **\$324,055,625**

**CAPITAL**

|   |              |
|---|--------------|
| Common stock, \$.01 par value, 599,992,400 shares authorized, 27,076,161 shares issued and outstanding (Note 5) | \$ 270,761   |
| Additional paid-in capital  | 367,508,287  |
| Distributions in excess of net investment income  | (19,227,525) |
| Accumulated net realized loss on investment transactions  | (28,723,805) |
| Net unrealized appreciation on investments  | 4,227,907    |
|   | <hr/>        |

**NET ASSETS APPLICABLE TO COMMON STOCK** **\$324,055,625**

|  |          |
|--|----------|
| Net asset value per share of common stock:<br>(\$324,055,625 ÷ 27,076,161 shares of common stock issued and outstanding) | \$ 11.97 |
|  | <hr/>    |

See Notes to Financial Statements.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2006

|  |              |
|--|--------------|
| <b>INVESTMENT INCOME</b>   |              |
| Interest income  | \$28,526,650 |
| Dividend income  | 440,828      |
|  | <hr/>        |
| Total Investment income  | 28,967,478   |
|  | <hr/>        |
| <b>EXPENSES</b>  |              |
| Investment advisory fees (Note 2)  | 2,378,903    |
| Administrative fees (Note 2)   | 490,711      |
| Directors' fees and expenses   | 293,783      |
| Commercial paper expenses  | 149,805      |
| Professional fees  | 134,177      |
| Commitment fees  | 124,167      |
| Commissions expense-commercial paper   | 116,966      |
| Reports to shareholders  | 107,997      |
| Commission expense-Auction Market Preferred Shares (Note 6)                            | 89,722       |
| Transfer agent fees and expenses   | 51,564       |
| Custodian fees and expenses  | 47,506       |
| Registration fees  | 23,862       |
| Other  | 35,163       |
|  | <hr/>        |
| Total operating expenses   | 4,044,326    |
| Interest expense-commercial paper (Note 7)   | 5,705,355    |
|  | <hr/>        |
| Total expenses   | 9,749,681    |
|  | <hr/>        |
| Net investment income  | 19,217,797   |
|  | <hr/>        |
| <b>REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS</b>                              |              |
| Net realized loss on investment transactions   | (2,925,199)  |
| Net change in unrealized appreciation/depreciation on investments                      | (4,044,896)  |
|  | <hr/>        |
| Net realized and unrealized loss on investments  | (6,970,095)  |
|  | <hr/>        |
| <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                            | 12,247,702   |
|  | <hr/>        |
| <b>DIVIDENDS AND DISTRIBUTIONS ON AUCTION MARKET PREFERRED SHARES FROM:</b>            |              |
| Net investment income  | (1,853,221)  |
|  | <hr/>        |
| <b>NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCK RESULTING FROM OPERATIONS</b> | \$10,394,481 |
|  | <hr/>        |

See Notes to Financial Statements.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**

|   | <u>For the<br/>Year Ended<br/>December 31, 2006</u> | <u>For the<br/>Year Ended<br/>December 31, 2005</u> |
|---|---|---|
| <b>OPERATIONS</b>   |   |   |
| Net investment income   | \$ 19,217,797                                       | \$ 19,757,953                                       |
| Net realized loss on investment transactions  | (2,925,199)   | (1,082,331)   |
| Net change in unrealized appreciation/depreciation on investments   | (4,044,896)   | (18,440,627)  |
| Dividends and distributions on Auction Market Preferred Shares from net investment income                             | (1,853,221)   | ô   |
|   | <u>10,394,481</u>                                   | <u>234,995</u>                                      |
| <b>DIVIDENDS AND DISTRIBUTIONS ON COMMON STOCK</b>  |   |   |
| From and in excess of net investment income   | (22,735,261)  | (27,460,286)  |
| <b>CAPITAL STOCK TRANSACTIONS</b>   |   |   |
| Reinvestment of dividends resulting in the issuance of 50,658 shares and 191,059 shares of common stock, respectively | 644,890   | 2,576,390   |
| Offering costs-Auction Market Preferred Shares  | (2,200,000)   | ô   |
|   | <u>(1,555,110)</u>                                  | <u>2,576,390</u>                                    |
| Net increase (decrease) in net assets resulting from capital stock transactions                                       | (1,555,110)   | 2,576,390   |
| Total decrease in net assets  | (13,895,890)  | (24,648,901)  |
| <b>NET ASSETS</b>   |   |   |
| Beginning of year   | 337,951,515   | 362,600,416   |
|   | <u>\$ 324,055,625</u>                               | <u>\$ 337,951,515</u>                               |
| End of year (a)   | \$ 324,055,625                                      | \$ 337,951,515                                      |
|   | <u>\$ (19,227,525)</u>                              | <u>\$ (15,145,620)</u>                              |
| (a) includes distributions in excess of net investment income of  | \$ (19,227,525)                                     | \$ (15,145,620)                                     |

See Notes to Financial Statements.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2006

**Increase (Decrease) in Cash**

|  |                 |
|--|-----------------|
| Cash flows provided by (used in) operating activities:   |                 |
| Interest and dividends received  | \$ 32,957,404   |
| Expenses paid  | (4,025,773)     |
| Interest expense paid  | (6,606,380)     |
| Purchase of long-term portfolio investments  | (127,423,412)   |
| Proceeds from sales and maturities of long-term portfolio investments  | 70,327,073      |
| Net proceeds from sales in excess of purchases of short-term portfolio investments                                     | 5,225,198       |
|  | <hr/>           |
| Net cash used in operating activities  | (29,545,890)    |
|  | <hr/>           |
| Cash flows provided from (used in) financing activities:   |                 |
| Net cash provided from the retirement of commercial paper  | (141,119,489)   |
| Proceeds from issuance of Auction Market Preferred Shares  | 187,832,959     |
| Dividends paid on preferred stock  | (1,740,210)     |
| Dividends paid on common stock (a)   | (21,877,496)    |
|  | <hr/>           |
| Net cash provided by financing activities  | 23,095,764      |
|  | <hr/>           |
| Net decrease in cash   | (6,450,126)     |
| Cash at beginning of year  | 10,441,093      |
|  | <hr/>           |
| Cash at end of year  | \$ 3,990,967    |
|  | <hr/>           |
| <b>Reconciliation of Net Increase in Net Assets Resulting from Operations to Net Cash Used in Operating Activities</b> |                 |
| Net increase in net assets resulting from operations   | \$ 12,247,702   |
|  | <hr/>           |
| Increase in investments  | (46,490,620)    |
| Net realized loss on investment transactions   | 2,925,199       |
| Net change in unrealized appreciation/depreciation on investments  | 4,044,896       |
| Increase in interest receivable  | (1,390,595)     |
| Increase in prepaid expenses and other assets  | (368)           |
| Decrease in interest payable   | (901,025)       |
| Increase in accrued expenses and other liabilities   | 18,921          |
|  | <hr/>           |
| Total adjustments  | (41,793,592)    |
|  | <hr/>           |
| Net cash used in operating activities  | \$ (29,545,890) |
|  | <hr/>           |

(a) Non-cash financing activities not included herein consist of reinvestment of dividends of \$644,890.  
See Notes to Financial Statements.

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**FINANCIAL HIGHLIGHTS**

For the Year Ended December 31,

|   | 2006      | 2005      | 2004      | 2003      | 2002      |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>PER SHARE OPERATING PERFORMANCE</b>  |           |           |           |           |           |
| Net asset value, beginning of year  | \$ 12.50  | \$ 13.51  | \$ 13.85  | \$ 13.03  | \$ 13.23  |
| Net investment income (1)   | 0.71      | 0.73      | 0.86      | 0.93      | 0.99      |
| Net realized and unrealized gain/(loss) on investments transactions                       | (0.25)    | (0.72)    | (0.18)    | 0.91      | (0.17)    |
| Dividends and distributions on Auction Market Preferred Shares from net investment income | (0.07)    | ô         | ô         | ô         | ô         |
| Net increase from investment operations   | 0.39      | 0.01      | 0.68      | 1.84      | 0.82      |
| Dividends and distributions on common stock from and in excess of net investment income   | (0.84)    | (1.02)    | (1.02)    | (1.02)    | (1.02)    |
| Offering costsô Auction Market Preferred Shares   | (0.08)    | ô         | ô         | ô         | ô         |
| Net asset value, end of year  | \$ 11.97  | \$ 12.50  | \$ 13.51  | \$ 13.85  | \$ 13.03  |
| Per share market value, end of year   | \$ 11.62  | \$ 13.10  | \$ 14.69  | \$ 14.99  | \$ 13.16  |
| <b>TOTAL INVESTMENT RETURN ON COMMON STOCK (2)</b>  | (4.82)%   | (3.84)%   | 5.55%     | 22.64%    | 7.91%     |
| <b>RATIOS TO AVERAGE NET ASSETS (3)</b>   |           |           |           |           |           |
| Total expenses  | 2.98%     | 2.55%     | 1.78%     | 1.79%     | 2.16%     |
| Operating expenses (excluding interest and other commercial paper expenses)               | 1.12%     | 1.05%     | 1.06%     | 1.08%     | 1.04%     |
| Net investment income   | 5.87%     | 5.64%     | 6.34%     | 6.81%     | 7.84%     |
| <b>SUPPLEMENTAL DATA</b>  |           |           |           |           |           |
| Portfolio turnover  | 15%       | 15%       | 17%       | 10%       | 27%       |
| Net assets applicable to common stock, end of year (000)                                  | \$324,056 | \$337,952 | \$362,600 | \$369,624 | \$345,131 |
| Preferred stock outstanding (000)   | \$190,000 | \$ ô      | \$ ô      | \$ ô      | \$ ô      |
| Asset coverage per share of preferred stock, end of year                                  | \$ 67,639 | \$ ô      | \$ ô      | \$ ô      | \$ ô      |
| <b>COMMERCIAL PAPER INFORMATION</b>   |           |           |           |           |           |
| Aggregate amount outstanding at end of year (000)   | \$ ô      | \$143,000 | \$143,000 | \$143,000 | \$140,500 |
| Average daily amortized cost of commercial paper outstanding (000)                        | \$ ô      | \$142,295 | \$142,557 | \$142,115 | \$141,657 |
| Asset coverage per \$1,000 at end of year   | \$ ô      | \$ 3,363  | \$ 3,537  | \$ 3,585  | \$ 3,455  |

(1) Based on average shares outstanding.

(2) 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 year reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Brokerage commissions are not reflected.

(3) As a percentage of average weekly net assets, which includes any liabilities or senior securities constituting indebtedness in connection with financial leverage.

See Notes to Financial Statements.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

Duff & Phelps Utility and Corporate Bond Trust Inc. (the "Fund") was incorporated in Maryland on November 23, 1992 as a diversified, closed-end management investment company with operations commencing on January 29, 1993.

The Fund's investment objective is to seek high current income consistent with investing in securities of investment-grade quality. The Fund seeks to achieve its investment objective by investing substantially all of its assets in a diversified portfolio of Utility Income Securities, Corporate Income Securities, Mortgage-Backed Securities and Asset-Backed Securities. The ability of the issuers of the securities held by the Fund to meet their obligations may be affected by economic developments in a specific state, industry or region.

**Note 1. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Securities Valuation:** The Fund values its fixed income securities, in accordance with procedures established by the Board of Directors of the Fund, by using market quotations, prices provided by market makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics. The relative liquidity of some securities in the Fund's portfolio may adversely affect the ability of the Fund to accurately value such securities. Any securities or other assets for which such current market quotations are not readily available are valued at fair value as determined in good faith under procedures established by and under the general supervision and responsibility of the Fund's Board of Directors.

Debt securities having a remaining maturity of 60 days or less when purchased and debt securities originally purchased with maturities in excess of 60 days but which currently have maturities of 60 days or less are valued at cost adjusted for amortization of premiums and accretion of discounts, which approximates market value.

Investments in mutual funds are valued at their net asset value as of the close of the New York Stock Exchange on the date of valuation.

**Securities Transactions and Investment Income:** Securities transactions are recorded on the trade date. Realized gains and losses on sales of securities are calculated on the identified cost basis. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts on securities using the effective interest method.

**Federal Income Taxes:** It is the Fund's intention to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute sufficient net income and capital gains to shareholders to qualify as a regulated investment company. Therefore, no provision for federal income or excise tax is required.

**Dividends and Distributions:** The Fund will declare and pay dividends on its common stock monthly from net investment income. Net long-term capital gains, if any, in excess of loss carryforwards are expected to be

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**NOTES TO FINANCIAL STATEMENTS—(Continued)**  
**December 31, 2006**

distributed annually. The Fund will make a determination at the end of its fiscal year as to whether to retain or distribute such gains. Dividends and distributions are recorded on the ex-dividend date. Dividends and distributions on preferred shares are accrued on a daily basis and are determined as described in Note 6.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from investment income and capital gains recorded in accordance with U.S. generally accepted accounting principles.

**Recent Accounting Pronouncements:** In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48) entitled “*Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*”. FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity including mutual funds before being measured and recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Fund will incorporate FIN 48 in the June 30, 2007 semi-annual report to stockholders. The impact on the Fund’s financial statements, if any, is currently being assessed.

In addition, in September 2006, Statement of Financial Accounting Standards No. 157, “*Fair Value Measurements*” (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Fund will adopt SFAS 157 during the fiscal year ending December 31, 2008. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund’s financial statement disclosures.

**Reclassification of Capital Accounts:** U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the year ended December 31, 2006, \$1,288,780 has been reclassified between accumulated net realized loss on investment transactions and distributions in excess of net investment income as a result of permanent differences attributable to amortization methods on fixed income securities and accounting for paydowns. These reclassifications had no effect on net assets or net asset value per share.

**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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Note 2. AGREEMENTS**

The Fund has an Advisory Agreement with Duff & Phelps Investment Management Co. (the Adviser), a subsidiary of Phoenix Investment Partners, Ltd. (Phoenix or PXP), and an Administration Agreement with Princeton Administrators, LLC (Princeton).

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**NOTES TO FINANCIAL STATEMENTS—(Continued)**  
**December 31, 2006**

The investment advisory fee paid to the Adviser is computed weekly and payable monthly at an annual rate of 0.50% of the Fund's average weekly managed assets, which is defined as the average weekly value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (other than the aggregate amount of any outstanding borrowings or other indebtedness constituting financial leverage).

The administration fee paid to Princeton is computed weekly and payable monthly at an annual rate of 0.15% of the Fund's average weekly net assets, which is defined as the average weekly value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (including the aggregate amount of any outstanding borrowings or other indebtedness constituting financial leverage), subject to a monthly minimum of \$12,500.

Pursuant to the Advisory Agreement, the Adviser provides continuous supervision of the investment portfolio and pays the compensation of officers of the Fund who are affiliated persons of the Adviser. Pursuant to the Administration Agreement, Princeton provides administration services that include oversight of the Fund's books and records and preparation of financial statements and other regulatory filings. The Fund bears all other costs and expenses.

**Note 3. PORTFOLIO SECURITIES**

Purchases and sales of investment securities, other than U.S. Government securities and short-term investments, for the year ended December 31, 2006 aggregated \$127,423,412 and \$69,616,333, respectively.

The United States federal income tax basis of the Fund's investments and the net unrealized depreciation as of December 31, 2006 was as follows:

| <u>Tax Basis of<br/>Investments</u> | <u>Appreciation</u> | <u>Depreciation</u> | <u>Net Unrealized<br/>Depreciation</u> |
|-------------------------------------|---------------------|---------------------|--|
| \$517,701,779                       | \$ 7,706,506        | \$ 24,470,916       | \$ (16,764,410)                        |

**Note 4. DISTRIBUTIONS TO STOCKHOLDERS**

The tax character of distributions paid during the fiscal years ended December 31, 2006 and 2005 was as follows:

|                                 | <u>12/31/2006</u>   | <u>12/31/2005</u>   |
|---------------------------------|---------------------|---------------------|
| <i>Distributions paid from:</i> |                     |                     |
| Ordinary income                 | \$24,588,482        | \$27,460,286        |
| Total taxable distributions*    | <u>\$24,588,482</u> | <u>\$27,460,286</u> |

\* The distributions presented above include distributions payable to preferred shareholders at December 31, 2006.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**NOTES TO FINANCIAL STATEMENTS—(Continued)**  
**December 31, 2006**

As of December 31, 2006, the components of accumulated earnings on a tax basis were as follows:

|   |                |
|---|----------------|
| Undistributed ordinary income-net         | \$ 2,168,553   |
| Undistributed long-term capital gains-net | 0              |
|   | <hr/>          |
| Total undistributed earnings              | 2,168,553      |
| Capital loss carryforward                 | (28,723,805)*  |
| Unrealized gains/(losses)-net             | (17,168,171)** |
|   | <hr/>          |
| Total accumulated earnings/(losses)       | \$(43,723,423) |
|   | <hr/>          |

\* On December 31, 2006, the Fund had a net capital loss carryforward of \$28,723,805 of which \$17,513,106 expires in 2011, \$3,731,126 expires in 2012, \$3,265,594 expires in 2013 and \$4,213,979 expires in 2014. This amount will be available to offset like amounts of any future taxable gains.

\*\* The difference between book-basis and tax-basis unrealized gains / (losses) is attributable primarily to the difference between book and tax amortization methods for premiums and discounts on fixed income securities. The above amount also includes book-to-tax temporary differences, which primarily consists of deferred expenses related to the directors deferred compensation plan.

**Note 5. CAPITAL**

There are 600 million shares of stock, \$0.01 par value per share, authorized. For the years ended December 31, 2006 and 2005, the Fund issued 50,658 and 191,059 shares of common stock, respectively, in connection with the reinvestment of dividends.

**Note 6. AUCTION MARKET PREFERRED SHARES**

The Fund's Charter grants the authority to the Board of Directors to authorize the creation and issuance of one or more series of preferred stock out of the authorized and unissued stock of the Fund. Accordingly, on October 25, 2006, the Fund issued 7,600 shares of Auction Market Preferred Shares (AMPS) in two series of 3,800 shares each at a public offering price of \$25,000 per share. The underwriting discount and other offering costs incurred in connection with the issuance of the AMPS were recorded as a reduction of paid-in capital on common stock. Dividends on shares of AMPS are cumulative from their date of original issue and payable on each dividend payment date. Dividend rates ranged from 5.10% to 5.35% from October 25, 2006 through December 31, 2006.

Under the Investment Company Act of 1940, the Fund may not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock would be less than 200%.

The AMPS are redeemable at the option of the Fund, in whole or in part, on any dividend payment date at \$25,000 per share plus any accumulated or unpaid dividends, whether or not declared. The AMPS are also subject to a mandatory redemption at \$25,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in the Fund's Charter are not satisfied.

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**NOTES TO FINANCIAL STATEMENTS—(Continued)**  
**December 31, 2006**

The holders of AMPS have voting rights equal to the holders of common stock (one vote per share) and will vote together with holders of common stock as a single class. However, holders of AMPS, voting separately as a class, are also entitled to elect two of the Fund's directors. In addition, the Investment Company Act of 1940 requires that along with any approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding shares of preferred stock, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the preferred stock, and (b) take certain actions requiring a vote of security holders, including, among other things, changes in the Fund's subclassification as a closed-end investment company or changes in its fundamental investment restrictions.

**Note 7. COMMERCIAL PAPER**

As of January 1, 2006, the Fund had Commercial Paper Notes (Notes) outstanding with a par value of \$143,000,000 and had entered into a credit agreement to provide backup liquidity. The Notes were unsecured, general obligations of the Fund. As of October 25, 2006, the Fund decreased the amount of its outstanding Notes to zero. Interest rates on the Notes ranged from 4.08% to 5.51% during the period from January 1, 2006 through October 25, 2006. As of October 26, 2006, the Fund no longer intends to issue such Notes and has terminated the related backup credit facility.

**Note 8. DEFERRED COMPENSATION PLAN**

Effective on January 1, 2000, the Fund established a deferred compensation program for its independent directors. Any director who was not an interested person of the Fund and who elected to participate in the program (a participating director) was eligible to defer receipt of all or a portion of his or her compensation from the Fund. Any amounts deferred by a participating director were credited to a deferred compensation ledger account (a deferral account) established for such director. From January 1, 2000 through December 31, 2004, the deferred compensation program was administered by the Fund's transfer agent on behalf of the Fund, and all amounts credited to each participating director's deferral account were deemed to be invested in common stock of the Fund. Participating directors do not have an ownership interest in those shares. Contributions to the deferral account and increases in value of the measuring shares caused the account balance to increase accordingly, while withdrawals from the deferral account and decreases in value of the measuring shares caused the account balance to decrease accordingly. When a participating director retires, the director may elect to receive payments under the plan in a lump sum or in equal installments over a period of up to ten years. If a participating director dies, any amount payable under the plan will be paid to the director's beneficiaries. Effective on January 1, 2005, administration of new contributions under the deferred compensation program was transferred to Fidelity Investments, which administers similar programs for other investment companies advised by affiliates of Phoenix.

The Fidelity Investments program gave participating directors the ability to allocate amounts in their deferral accounts among various investment options, one of which was common stock of the Fund. Although the acceptance of new contributions under the Fund's deferred compensation program was discontinued, effective on December 31, 2006, the obligation to make payouts to directors with respect to compensation deferred between January 1, 2000 and December 31, 2006 remains a general obligation of the Fund. For this reason, the Fund

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**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**  
**NOTES TO FINANCIAL STATEMENTS—(Continued)**  
**December 31, 2006**

Statement of Assets and Liabilities at December 31, 2006 includes deferred compensation payable in the amount of \$381,380, and the \$381,380 in deferred compensation investments that support that obligation are included in other assets.

**Note 9. INDEMNIFICATIONS**

Under the Fund's organizational documents, its Officers and Directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and believes the risk of loss to be remote.

**Note 10. SUBSEQUENT EVENTS**

In June 2002, the Fund held certain securities issued by WorldCom, Inc. (WorldCom) that declined in value after WorldCom announced on June 25, 2002 it would restate its financial results and then filed for bankruptcy protection on July 21, 2002. In 2003, the Fund recognized a loss of approximately \$11.4 million on its WorldCom investments. In 2004 and 2005, the United States District Court for the Southern District of New York (the Court) approved several class action settlements on behalf of purchasers of WorldCom securities (collectively, the WorldCom Settlement). In December 2006, the administrator of the WorldCom Settlement (the WorldCom Administrator) made a distribution to class members to reimburse a portion of their losses. The Fund did not receive a distribution because a proof of claim on behalf of the Fund was not submitted by the June 15, 2006 due date established by the Court. The Adviser submitted a proof of claim on behalf of the Fund on or about January 12, 2007. The WorldCom Administrator has stated that claims submitted after June 15, 2006 will be considered by the Court in a further motion to be filed, on notice to such claimants, within the next few months. If the Fund does not receive a distribution from the WorldCom Settlement equal to the amount it would have received if a claim had been submitted on its behalf by the June 15, 2006 due date, the Fund will pursue all potential sources to recoup the deficiency, including any applicable insurance coverage and/or payments from service providers. At this time, management cannot reasonably estimate the amount that the Fund will receive from the WorldCom Settlement or other sources. Accordingly, the Fund's financial statements do not reflect any adjustments for any such amounts.

Subsequent to December 31, 2006, dividends declared and paid on preferred stock totaled \$1,233,480 through February 14, 2007. On January 3, 2007, the Board of Directors of the Fund declared a dividend of \$0.065 per share of common stock payable on January 31, 2007 to shareholders of record on January 17, 2007. On February 1, 2007 the Board of Directors of the Fund declared a dividend of \$0.065 per share of common stock payable on February 28, 2007 to shareholders of record on February 15, 2007.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors  
of Duff & Phelps Utility and Corporate Bond Trust Inc.

We have audited the accompanying statement of assets and liabilities of Duff & Phelps Utility and Corporate Bond Trust Inc. (the "Fund"), including the portfolio of investments, as of December 31, 2006, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Duff & Phelps Utility and Corporate Bond Trust Inc. at December 31, 2006, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended in conformity with U.S. generally accepted accounting principles.



Chicago, Illinois  
February 22, 2007

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### FEDERAL INCOME TAX INFORMATION (Unaudited)

90.65% of the distributions paid in January 2006 and 85.11% of the distributions paid from February through December 2006 represent interest-related dividends under 871(k)(1) of the Internal Revenue Code that are eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

### RENEWAL OF INVESTMENT ADVISORY AGREEMENT (Unaudited)

Under Section 15(c) of the Investment Company Act of 1940 (the "1940 Act"), the terms of the Fund's investment advisory agreement must be reviewed and approved at least annually by the Board of Directors of the Fund (the "Board"), including a majority of the Directors who are not "interested persons" of the Fund, as defined in the 1940 Act (the "Independent Directors"). Section 15(c) of the 1940 Act also requires the Fund's Directors to request and evaluate, and the Fund's investment adviser to furnish, such information as may reasonably be necessary to evaluate the terms of the investment advisory agreement. During the month of November 2006, assisted by the advice of independent legal counsel, the Board conducted its annual review of the terms of the Fund's investment advisory agreement with Duff & Phelps Investment Management Co., the Fund's investment adviser (the "Adviser"). In the course of that review, the Directors considered all of the information they deemed appropriate, including informational materials furnished by the Adviser in response to a request made on behalf of the Independent Directors by legal counsel to the Independent Directors. Based on that review, at a meeting held on November 9, 2006, the Board, including the Independent Directors, approved the continuation of the investment advisory agreement for an additional one-year term ending November 30, 2007. In making its determination that such continuation was in the best interests of the Fund and its shareholders, the Board took into account all factors that it deemed relevant, without identifying any single factor or group of factors as all-important or controlling. Among the factors considered by the Board, and the conclusions reached with respect to each, were the following:

**Nature, extent, and quality of services.** The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser. Among other materials, the Adviser furnished the Board with a copy of its most recent investment adviser registration form ("Form ADV"). In evaluating the quality of the Adviser's services, the Board considered the investment experience and length of service of the individual portfolio managers who provide services to the Fund. The Board noted the various complexities involved in the operations of the Fund, such as the use of leverage historically in the form of the Fund's commercial paper program and henceforth in the form of the Fund's newly issued auction market preferred shares. The Board also took into account its evaluation, conducted earlier in the year, of the Adviser's compliance program, code of ethics and conflict of interest policies. In light of the foregoing, the Board concluded that it was generally satisfied with the nature, extent and quality of the services provided to the Fund by the Adviser.

**Investment performance of the Fund and the Adviser.** The Adviser provided the Board with performance information for the Fund for various periods, measured against three benchmarks: the Lipper General Bond Funds Average, the Lipper Corporate Debt Funds BBB-Rated and the Lehman Brothers U.S. Aggregate Bond Index. The Board noted that the Fund's performance generally compared favorably with the benchmarks.

**Costs of services and profits realized.** The Board considered the reasonableness of the compensation paid to the Adviser, in both absolute and comparative terms, and also the profits realized by the Adviser and its affiliates from their relationship with the Fund. To facilitate the Board's analysis, the Adviser furnished the

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Board with information from Lipper Analytical Services Inc., an independent provider of investment company data, comparing the Fund's advisory and other expenses to the similar expenses of other leveraged debt funds. The comparative data indicated that the Fund's advisory fees did not differ significantly from the median of similar fees incurred by other leveraged debt funds.

Included in the Adviser's Form ADV furnished to the Board was comparative information from the Adviser with respect to the fees it charges to its investment advisory clients other than the Fund. However, the Board concluded that the services rendered to other institutional investor clients were not sufficiently comparable to the services rendered to the Fund for a direct comparison of advisory fees to be meaningful.

The Adviser also furnished the Board with copies of its financial statements. In reviewing those financial statements, the Board examined the profitability of the investment advisory agreement to the Adviser and determined that the profitability of that contract was within the range that courts had found reasonable. The Board considered that the Adviser must be able to compensate its employees at competitive levels in order to attract and retain high-quality personnel to provide high-quality services to the Fund. The Board concluded that the investment advisory fee was the product of arm's length bargaining and that it was fair and reasonable to the Fund.

**Economies of scale.** The Board considered whether the Fund has appropriately benefited from any economies of scale. The Board concluded that currently the Fund is not sufficiently large to realize benefits from economies of scale with fee breakpoints. However, the Board encouraged the Adviser to continue to work towards reducing costs by leveraging relationships with service providers across the complex of funds advised by the Adviser.

**Indirect benefits.** The Board considered possible sources of indirect benefits to the Adviser from its relationship to the Fund. As a fixed-income fund, the Fund does not generate soft dollars. The Board also noted that the Fund does not utilize affiliates of the Adviser for brokerage purposes.

#### **DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (Unaudited)**

Common shareholders are automatically enrolled in the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"). Under the Plan, all distributions to common shareholders of dividends and capital gains will automatically be reinvested by The Bank of New York (the "Plan Agent") in additional shares of common stock of the Fund unless an election is made to receive distributions in cash. Shareholders who elect not to participate in the Plan will receive all distributions in cash via direct deposit or paid by check in U.S. dollars mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent.

The Plan Agent serves as agent for the common shareholders in administering the Plan. After the Fund declares a dividend or determines to make a capital gains distribution, if (1) the market price of shares on the valuation date equals or exceeds the net asset value of these shares, the Fund will issue new shares at net asset value, provided that the Fund will not issue new shares at a discount of more than 5% from the then current market price; or if (2) the market price is lower than the net asset value, or if dividends or capital gains distributions are declared and payable only in cash, then the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy shares of common stock in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value per share of the common stock, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's common stock, resulting in the acquisition

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of fewer shares of common stock than if the dividend or distribution had been paid in common stock issued by the Fund. As described below, the Plan was amended, effective December 1, 1999, whereby the Fund will issue new shares in circumstances in which it will be beneficial to plan participants.

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. However, each participant will pay a pro rata share of brokerage commissions (or equivalent purchase costs) incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions and with voluntary additional share investments. There are no other charges to participants for reinvesting dividends or capital gains distributions, except for certain brokerage commissions (or equivalent purchase costs) as described above.

The Plan also permits Plan participants to periodically purchase additional shares of common stock through the Plan by delivering to the Plan Agent a check for at least \$100, but not more than \$5,000 in any month. The Plan Agent will use the funds to purchase shares in the open market or in private transactions. The Fund will not issue any new shares in connection with voluntary additional share investments. Purchases made pursuant to the Plan will be made commencing at the time of the first dividend or distribution payment following the second business day after receipt of the funds for additional purchases, and may be aggregated with purchases of shares for reinvestment of the dividends and distributions. Shares will be allocated to the accounts of participants purchasing additional shares at the average price per share, plus a service charge imposed by the Plan Agent and brokerage commissions (or equivalent purchase costs) paid by the Plan Agent for all shares purchased by it, including for reinvestment of dividends and distributions. Checks drawn on a foreign bank are subject to collection and collection fees, and will be invested at the time of the next distribution after funds are collected by the Plan Agent.

The Plan Agent will make every effort to invest funds promptly, and in no event more than 30 days after the Plan Agent receives a dividend or distribution, except where postponement is deemed necessary to comply with applicable provisions of the federal securities laws.

Funds sent to the Plan Agent for voluntary additional share investment may be recalled by the participant by written notice received by the Plan Agent not later than two business days before the next distribution payment date. If for any reason a regular monthly distribution is not paid by the Fund, funds for voluntary additional share investment will be returned to the participant, unless the participant specifically directs that they continue to be held by the Plan Agent for subsequent investment.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a share credited to such account. An election to withdraw from the Plan will, until such election is changed, be deemed to be an election by a common shareholder to take all subsequent dividends and distributions in cash. Elections will only be effective for dividends and distributions declared after, and with a record date of at least ten days after, such elections are received by the Plan Agent. There is no penalty for non-participation in or withdrawal from the Plan, and shareholders who have withdrawn from the Plan may rejoin it at any time. The Plan Agent imposes charges on participants for selling participants shares on termination of participation (currently a base fee of \$5.00 plus \$.10 per share). The Fund reserves the right to amend the Plan to institute a service charge to participants.

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The Plan Agent maintains each shareholder's account in the Plan and furnishes monthly written confirmations of all transactions in the accounts, including information needed by shareholders for personal and tax records. Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan.

Common shareholders whose common stock is held in the name of a broker or nominee should contact such broker or nominee to determine whether or how they may participate in the Plan.

In the case of shareholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholder as representing the total amount registered in the record shareholder's name and held for the account of beneficial owners who are participants in the Plan.

The automatic reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable or required to be withheld on such dividends or distributions.

The Fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all participants in the Plan at least 90 days before the record date for the dividend or distribution. The Plan may also be amended or terminated by the Plan Agent by at least 90 days' written notice to all participants in the Plan. All questions concerning the Plan should be directed to the Plan Agent by calling 1-800-524-4458.

#### **ADDITIONAL INFORMATION (Unaudited)**

Since January 1, 2006: (i) there have been no material changes in the Fund's investment objectives or policies that have not been approved by the shareholders; (ii) there have been no changes in the Fund's charter or by-laws that would delay or prevent a change in control of the Fund which have not been approved by the shareholders; (iii) there have been no material changes in the principal risk factors associated with an investment in the Fund; and (iv) there have been no changes in the persons who are primarily responsible for the day-to-day management of the Fund's portfolio.

Additional information, if any, relating to the Fund's directors and officers, in addition to such information as is found elsewhere in the Annual Report, may be requested by contacting the Fund at the address provided in this report.

Notice is hereby given in accordance with Section 23(c) of the 1940 Act that the Fund may from time to time purchase its shares of common stock in the open market.

#### **PROXY VOTING POLICY AND PROCEDURES (Unaudited)**

Although the Fund does not typically hold voting securities, the Fund's Board of Directors has adopted proxy voting procedures whereby Duff & Phelps Investment Management Co., the Fund's investment adviser (the "Adviser"), would review any proxy solicitation materials on a case-by-case basis and would vote any such

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securities in accordance with the Adviser's good faith belief as to the best interests of the Fund and its shareholders. These proxy voting procedures may be changed at any time or from time to time by the Fund's Board of Directors. A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 are available without charge, upon request, by calling the Adviser collect at 312-541-5555 and on the Securities Exchange Commission's (SEC) website at <http://www.sec.gov>.

#### **AVAILABILITY OF QUARTERLY PORTFOLIO OF INVESTMENTS (Unaudited)**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (202) 551-8090. The Fund's Form N-Q is also available, without charge, upon request, by calling the Adviser collect at 312-541-5555.

#### **ANNUAL CERTIFICATIONS (Unaudited)**

In June 2006, the Fund submitted an annual certification to the New York Stock Exchange (NYSE) in which the Fund's principal executive officer certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's corporate governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

#### **PRIVACY PRINCIPLES OF THE FUND (Unaudited)**

The Fund is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how the Fund protects that information and why, in certain cases, the Fund may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about its shareholders to employees of the Fund's investment adviser, administrator and their respective affiliates with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

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**DIRECTORS OF THE FUND (Unaudited)**

Information pertaining to the Directors of the Fund is set forth below. Directors who are not deemed to be "interested persons" of the Funds, as defined in the Investment Company Act of 1940, as amended (the Investment Company Act or the 1940 Act) are referred to as "Independent Directors." Directors who are deemed to be "interested persons" of the Fund are referred to as "Interested Directors." "Fund Complex" consists of the Fund and any other investment companies managed by Phoenix Investment Partners, Ltd. ("PXP") or its affiliates.

**Independent Directors**

| Name, Address and Age  | Positions Held with Fund | Term of Office and Length of Time Served  | Principal Occupation(s) During Past 5 Years   | Number of Portfolios in Fund Complex Overseen by Director | Other Directorships Held by the Director  |
|--|--------------------------|---|---|---|---|
| E. Virgil Conway<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 77 | Director                 | Term expires 2007;<br>Director since 1995 | Chairman, Rittenhouse Advisors, LLC (consulting firm) since 2001; Vice Chairman, The Academy of Political Science since 1985; Chairman, Metropolitan Transportation Authority, 1995-2001; Chairman, Financial Accounting Standards Advisory Council, 1992-1995; Chairman, Harlem Youth Development Foundation, 1987-2002; Chairman, New York Housing Partnership Development Corp. 1981-2003; Director, Realty Foundation of New York since 1972; Honorary Director, Josiah Macy, Jr. Foundation; Trustee Emeritus, Pace University; Trustee Emeritus, Colgate University | 62  | Director, Urstadt Biddle Properties Inc. (real estate investment trust); Trustee, Consolidated Edison Company of New York, Inc., 1970-2002; Director, Consolidated Edison, Inc., 1997-2002; Director, Union Pacific Corporation, 1978-2002; Chairman and Director, Trism, Inc. (transportation company) 1994-2004; Trustee, Atlantic Mutual Insurance Company, 1974-2002; Director, Centennial Insurance Company, 1974-2002; Director, Accuhealth, Inc. (home injection firm) 1994-2002 |

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**DIRECTORS OF THE FUND (Continued)**

| Name, Address and Age   | Positions Held with Fund           | Term of Office and Length of Time Served  | Principal Occupation(s) During Past 5 Years  | Number of Portfolios in Fund Complex Overseen by Director | Other Directorships Held by the Director |
|---|------------------------------------|---|--|---|--|
| Harry Dalzell-Payne<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 77 | Director                           | Term expires 2007;<br>Director since 1996 | Currently retired. Formerly a Major General of the British Army  | 62  |  |
| Francis E. Jeffries<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street<br>Suite 3600 Chicago, IL 60603<br>Age: 76    | Director and Chairman of the Board | Term expires 2008;<br>Director since 1992 | Chairman of the Board of Directors of the Fund since November 1992 (President, January 2000-February 2004); Chairman of the Board of Directors of DTF Tax-Free Income Inc. (öDTFö) since September 1991 and DNP Select Income Fund Inc. (öDNPö) since May 2005 (Vice Chairman, April 2004-May 2005); Chairman of the Board of PXP, November 1995-May 1997; Chairman and Chief Executive Officer, Duff & Phelps Corporation, June 1993-November 1995 (President and Chief Executive Officer, January 1992-June 1993); Chairman of the Board, Duff & Phelps Investment Management Co. (öDPIMö) 1988-1993 | 63  |  |

**DIRECTORS OF THE FUND (Continued)**

| <b>Name, Address and Age</b>   | <b>Positions Held with Fund</b> | <b>Term of Office and Length of Time Served</b> | <b>Principal Occupation(s) During Past 5 Years</b>   | <b>Number of Portfolios in Fund Complex Overseen by Director</b> | <b>Other Directorships Held by the Director</b>   |
|--|---------------------------------|---|--|--|---|
| Nancy Lampton<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street Suite 3600<br>Chicago, IL 60603<br>Age: 64         | Director                        | Term expires 2009;<br>Director since 2005       | Chairman and Chief Executive Officer, Hardscuffle Inc. (insurance holding company) since January 2000; Chairman and Chief Executive Officer, American Life and Accident Insurance Company of Kentucky since 1971 | 3  | Director, Constellation Energy Group, Inc. (public utility holding company); Advisory Board Member, Thorium Power, Inc. (designer of non-proliferative fuel for nuclear energy needs) |
| Geraldine M. McNamara<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street Suite 3600<br>Chicago, IL 60603<br>Age: 55 | Director                        | Term expires 2008;<br>Director since 2003       | Private investor since July 2006; Managing Director, U.S. Trust Company of New York 1982-July 2006   | 62   |   |
| Eileen A. Moran<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street Suite 3600<br>Chicago, IL 60603<br>Age: 52       | Director                        | Term expires 2009;<br>Director since 1996       | President and Chief Executive Officer, PSEG Resources L.L.C. (investment company) since 1990   | 2  |   |

**DIRECTORS OF THE FUND (Continued)**

| Name, Address and Age   | Positions Held with Fund | Term of Office and Length of Time Served     | Principal Occupation(s) During Past 5 Years   | Number of Portfolios in Fund Complex Overseen by Director | Other Directorships Held by the Director  |
|---|--------------------------|--|---|---|---|
| Carl F. Pollard<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe St.<br>Suite 3600<br>Chicago, IL 60603<br>Age 68     | Director                 | Term expires in 2007;<br>Director since 2006 | Owner, Hermitage Farm L.L.C. (thoroughbred breeding) since January 1995; Chairman, Columbia Healthcare Corporation 1993-1994; Chairman and Chief Executive Officer, Galen Health Care, Inc. March-August 1993; President and Chief Operating Officer, Humana Inc. 1991-1993 (previously Senior Executive Vice President, Executive Vice President and Chief Financial Officer)  | 3   | Chairman of the Board and Director, Churchill Downs Incorporated; Director, LifeCare Holdings, Inc. (holding company of a group of hospitals)   |
| David J. Vitale<br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 60 | Director                 | Term expires 2009;<br>Director since 2005    | Chief Administrative Officer, Chicago Public Schools since April 2003; Private investor November 2002-April 2003; President and Chief Executive Officer, Board of Trade of the City of Chicago, Inc. March 2001-November 2002; Retired executive 1999-2001; Vice Chairman and Director, Bank One Corporation, 1998-1999; Vice Chairman and Director, First Chicago NBD Corporation, and President, The First National Bank of Chicago, 1995-1998; Vice Chairman, First Chicago Corporation and The First National Bank of Chicago, 1993-1998 (Director, 1992-1998; Executive Vice President, 1986-1993) | 3   | Director, UAL Corporation (airline holding company), ISO New England Inc. (not for profit independent system operator of New England's electricity supply); Ariel Capital Management, LLC, Ark Investment Management Corp. and Wheels, Inc. (automobile fleet management) |

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**DIRECTORS OF THE FUND (Continued)**
**Interested Director**

| <b>Name, Address and Age</b>   | <b>Positions Held with Fund</b> | <b>Term of Office and Length of Time Served</b> | <b>Principal Occupation(s) During Past 5 Years</b>   | <b>Number of Portfolios in Fund Complex Overseen by Director</b> | <b>Other Directorships Held by the Director</b>  |
|--|---------------------------------|---|--|--|--|
| Philip R McLoughlin <sup>(1)</sup><br>c/o Duff & Phelps Investment Management Co.<br>55 East Monroe St.<br>Suite 3600<br>Chicago, IL 60603<br>Age 60 | Director                        | Term expires in 2008;<br>Director since 1996    | Retired investment management executive since 2004. Consultant to PXP, 2002-2004; Chief Executive Officer of PXP, 1995-2002 (Chairman 1997-2002, Director 1995-2002); Executive Vice President and Chief Investment Officer, The Phoenix Companies, Inc. 2000-2002 | 79   | Director, PXRE Group Ltd. (insurance holding company) and The World Trust Fund (closed-end fund) |

<sup>(1)</sup> Mr. McLoughlin is an Interested Director by reason of his ownership of securities of The Phoenix Companies, Inc., the ultimate parent company of PXP. Mr. McLoughlin is not an employee of the Adviser or PXP.

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**MANAGEMENT OF THE FUND (Unaudited)**

The officers serve until their respective successors are chosen and qualified. The Fund's officers receive no compensation from the Fund, but are also officers of the Adviser or PXP and receive compensation in such capacities.

| Name, Address and Age   | Position(s) Held with Fund and Length of Time Served   | Principal Occupation(s) During Past 5 Years   |
|---|--|---|
| Nathan I. Partain<br>Duff & Phelps Investment Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 50 | President and Chief Executive Officer since February 2004                                    | President and Chief Investment Officer of the Adviser since April 2005 (Executive Vice President 1997-2005); President, Chief Executive Officer and Chief Investment Officer of DNP Select Income Fund Inc (øDNPø) since 2001 (Executive Vice President and Chief Investment Officer 1998-2001); President and Chief Executive Officer of DTF Tax-Free Income Inc (øDTFø) since February 2004; Director of Utility Research, Duff & Phelps Investment Research Co., 1989-1996 (Director of Equity Research, 1993-1996 and Director of Fixed Income Research, 1993); Director, Otter Tail Corporation since 1993 |
| T. Brooks Beittel<br>Duff & Phelps Investment Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 56 | Secretary since 2005   | Senior Vice President of the Adviser since 1993 (Vice President 1987-1993); Secretary and Senior Vice President of DNP since 1995 (Treasurer 1995-2002); Secretary of DTF since 2005  |
| Daniel J. Petrisko<br>Duff & Phelps Investment Management Co.<br>55 East Monroe Street Suite 3600<br>Chicago, IL 60603<br>Age: 46   | Chief Investment Officer since 2004; Vice President since 2000 (Portfolio Manager 2002-2004) | Senior Vice President of the Adviser since 1997 (Vice President 1995-1997)  |

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**MANAGEMENT OF THE FUND (Unaudited)**

| Name, Address and Age   | Position(s) Held with Fund and Length of Time Served   | Principal Occupation(s) During Past 5 Years  |
|---|--|--|
| Alan M. Meder<br>Duff & Phelps<br>Investment<br>Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 47   | Treasurer since 2000; Principal<br>Financial Officer, Chief<br>Financial Officer and Assistant<br>Secretary since 2002 | Senior Vice President of the Adviser since 1994. Treasurer of<br>DTF since 2000; Principal Financial Officer, Chief Financial<br>Officer and Assistant Secretary of DTF since 2002   |
| Joyce B. Riegel<br>Duff & Phelps<br>Investment<br>Management Co.<br>55 East Monroe Street<br>Suite 3600<br>Chicago, IL 60603<br>Age: 52 | Chief Compliance Officer<br>since 2003   | Senior Vice President and Chief Compliance Officer of the<br>Adviser since 2004 (Vice President and Compliance Officer of<br>the Adviser 2002-2004); Chief Compliance Officer of DTF<br>since 2003 and Chief Compliance Officer of DNP since 2004;<br>Vice President and Chief Compliance Officer, Stein Roe<br>Investment Counsel LLC 2001-2002; Vice President and<br>Compliance Officer, Stein Roe & Farnham Incorporated 1996-<br>2000 |

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**Directors**

Francis E. Jeffries, *Chairman*  
E. Virgil Conway  
Harry Dalzell-Payne  
Nancy Lampton  
Philip R. McLoughlin  
Geraldine M. McNamara  
Eileen A. Moran  
Carl F. Pollard  
David J. Vitale

**Officers**

Nathan I. Partain,  
*President & Chief Executive Officer*  
Daniel J. Petrisko,  
*Vice President & Chief Investment Officer*  
T. Brooks Beittel,  
*Secretary*  
Alan M. Meder,  
*Treasurer, Principal Financial Officer, Chief Financial Officer and Assistant Secretary*  
Joyce B. Riegel,  
*Chief Compliance Officer*

**Investment Adviser**

Duff & Phelps Investment Management Co.  
55 East Monroe Street  
Suite 3600  
Chicago, IL 60603  
(312) 541-5555

**Administrator**

Princeton Administrators, LLC  
P.O. Box 9095  
Princeton, NJ 08543-9095

**Custodian and Transfer Agent**

The Bank of New York  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
(800) 524-4458

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
233 South Wacker Drive  
Chicago, IL 60606

**Legal Counsel**

Mayer, Brown, Rowe & Maw LLP  
71 South Wacker Drive  
Chicago, IL 60606

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares. Information contained in this report is dated and subject to change. Past performance is no guarantee of future results.

# Duff & Phelps Utility and Corporate

# Bond Trust Inc.



## **ANNUAL REPORT DECEMBER 31, 2006**

**ITEM 2. CODE OF ETHICS.**

As of the end of the period covered by this report, the registrant has adopted a Code of Ethics that applies to the registrant's principal executive officer and principal financial officer. The registrant's principal financial officer also performs the functions of principal accounting officer. A copy of the registrant's Code of Ethics is available without charge, upon request, by calling the registrant collect at (312) 541-5555.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

The registrant's board of directors has determined that four members of its audit committee, E. Virgil Conway, Eileen A. Moran, Carl F. Pollard and David J. Vitale, are audit committee financial experts and that each of them is independent for purposes of this Item.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The following table sets forth the aggregate audit and non-audit fees billed to the registrant for each of the last two fiscal years for professional services rendered by the registrant's principal accountant (the Independent Auditor).

|                                 | <u>Fiscal year ended<br/>December 31, 2006</u> | <u>Fiscal year ended<br/>December 31, 2005</u> |
|---------------------------------|--|--|
| Audit Fees (1)                  | \$ 74,000                                      | \$ 41,600                                      |
| Audit-Related Fees (2)(6)       | 3,000  | 2,800  |
| Tax Fees (3)(6)                 | 4,300  | 4,000  |
| All Other Fees (4)(6)           | 0  | 0  |
| Aggregate Non-Audit Fees (5)(6) | 7,300  | 6,800  |

- (1) Audit Fees are fees billed for professional services rendered by the Independent Auditor for the audit of the registrant's annual financial statements and for services that are normally provided by the Independent Auditor in connection with statutory and regulatory filings or engagements. In 2006, Audit Fees included \$30,000 relating to regulatory filings in connection with the Fund's offering of preferred stock.
- (2) Audit-Related Fees are fees billed for assurance and related services by the Independent Auditor that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under the caption "Audit Fees." In both years shown in the table, such services consisted of the performance of periodic agreed-upon procedures relating to the registrant's preferred stock and commercial paper.
- (3) Tax Fees are fees billed for professional services rendered by the Independent Auditor for tax compliance, tax advice and tax planning. In both years shown in the table, such services consisted of preparation of the registrant's annual federal and state income tax returns and excise tax returns.
- (4) All Other Fees are fees billed for products and services provided by the Independent Auditor, other than the services reported under the captions "Audit Fees," "Audit-Related Fees" and "Tax Fees."

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- (5) Aggregate Non-Audit Fees are non-audit fees billed by the Independent Auditor for services rendered to the registrant, the registrant's investment adviser (the "Adviser") and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the registrant (collectively, the "Covered Entities"). During both years shown in the table, no portion of such fees related to services rendered by the Independent Auditor to the Adviser or any other Covered Entity.
- (6) No portion of these fees was approved by the registrant's audit committee after the beginning of the engagement pursuant to the waiver of the pre-approval requirement for certain *de minimis* non-audit services described in Section 10A of the Securities Exchange Act of 1934 (the "Exchange Act") and applicable regulations.

The audit committee of the board of directors of the registrant (the "Audit Committee"), jointly with the audit committee of the board of directors of DTF Tax-Free Income Inc. ("DTF"), has adopted a Joint Audit Committee Pre-Approval Policy (set forth below) to govern the provision by the Independent Auditor of the following services (collectively, "Covered Services"): (i) all engagements for audit and non-audit services to be provided by the Independent Auditor to the registrant and (ii) all engagements for non-audit services to be provided by the Independent Auditor to the Adviser or any other Covered Entity, if the engagement relates directly to the operations and financial reporting of the registrant. With respect to non-audit services rendered by the Independent Auditor to the Adviser or any other Covered Entity that were not required to be pre-approved by the Audit Committee because they do not relate directly to the operations and financial reporting of the registrant, the Audit Committee has nonetheless considered whether the provision of such services is compatible with maintaining the independence of the Independent Auditor.

**DTF TAX-FREE INCOME INC.  
DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.>  
AUDIT COMMITTEE  
AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY  
(as adopted on February 19, 2007)**

I. Statement of Principles

Under the Sarbanes-Oxley Act of 2002 (the "Act"), the Audit Committee of the Board of Directors of each of DTF Tax-Free Income Fund Inc. and Duff & Phelps Utility and Corporate Bond Trust Inc. (each a "Fund" and, collectively, the "Funds")<sup>(1)</sup> is responsible for the appointment, compensation and oversight of the work of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor's independence from the Fund. To implement these provisions of the Act, the Securities and Exchange Commission (the "SEC") has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the Audit Committee's administration of the engagement of the independent auditor. Accordingly, the Audit Committee has adopted this Audit and Non-Audit Services Pre-Approval Policy (this "Policy"), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditor may be pre-approved.

The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-

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<sup>(1)</sup> This Joint Audit Committee Pre-Approval Policy has been adopted by the Audit Committee of each Fund. Solely for the sake of clarity and simplicity, this Joint Audit Committee Pre-Approval Policy has been drafted as if there is a single Fund, a single Audit Committee and a single Board. The terms "Audit Committee" and "Board" mean the Audit Committee and Board of each Fund, respectively, unless the context otherwise requires. The Audit Committee and the Board of each Fund, however, shall act separately and in the best interests of its respective Fund.

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case services by the Audit Committee (general pre-approval); or require the specific pre-approval of the Audit Committee (specific pre-approval). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

For both types of pre-approval, the Audit Committee will consider whether such services are consistent with the SEC's rules on auditor independence. The Audit Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Fund's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Fund's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor should necessarily be determinative.

Under the SEC's rules, the Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the Fund's investment adviser and other affiliated entities that provide ongoing services to the Fund if the independent accountant's services to those affiliated entities have a direct impact on the Fund's operations or financial reporting.

The Audit Committee is also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services (including any audit-related or tax service fees for affiliates that are subject to pre-approval) and the total amount of fees for certain permissible non-audit services classified as "all other" services (including any such services for affiliates that are subject to pre-approval).

The appendices to this Policy describe the audit, audit-related, tax and "all other" services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of this Policy is to set forth the procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the independent auditor to management.

The independent auditor has reviewed this Policy and believes that implementation of this Policy will not adversely affect the auditor's independence.

## II. Delegation

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members who are not "interested persons" under the Investment Company Act of 1940. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. In accordance with the foregoing provisions, the Audit Committee has delegated pre-approval to its Chairman, Carl F. Pollard, and to any successor Chairman who is not an "interested person."

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### III. Audit Services

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the independent auditor to be able to form an opinion on the Fund's financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit. The Audit Committee will monitor the audit services engagement as necessary, but no less than on a semiannual basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Fund structure or other items.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other audit services, which are those services that only the independent auditor reasonably can provide. Other audit services may include statutory audits and services associated with SEC registration statements (on Forms N-1A, N-2, N-3, N-4, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the audit services in Appendix A. All other audit services not listed in Appendix A must be specifically pre-approved by the Audit Committee.

### IV. Audit-Related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements or that are traditionally performed by the independent auditor. Because the Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to audit-related services. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters not classified as "audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under form N-SAR.

The Audit Committee has pre-approved the audit-related services in Appendix B. All other audit-related services not listed in Appendix B must be specifically pre-approved by the Audit Committee.

### V. Tax Services

The Audit Committee believes that the independent auditor can provide tax services to the Fund such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the independent auditor may provide such services. Hence, the Audit Committee believes it may grant general pre-approval to those tax services that have historically been provided by the auditor, that the Audit Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with the SEC's rules on auditor independence. The Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Audit Committee will consult with the Fund's Administrator or outside counsel to determine that the tax planning and reporting positions are consistent with this Policy.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the tax services in Appendix C. All tax services involving large and complex transactions not listed in Appendix C must be specifically pre-approved by the Audit Committee, including: tax services proposed to be provided by the independent auditor to any executive officer or director of the Fund, in his or her individual capacity, where such services are paid for by the Fund.

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## VI. All Other Services

The Audit Committee believes, based on the SEC's rules prohibiting the independent auditor from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as all other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the "all other" services in Appendix D. Permissible "all other" services not listed in Appendix D must be specifically pre-approved by the Audit Committee.

A list of the SEC's prohibited non-audit services is attached to this Policy as Appendix E. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

## VII. Pre-Approval Fee Levels or Budgeted Amounts

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the Audit Committee. (Note that separate amounts may be specified for services to the Fund and for services to other affiliated entities that are subject to pre-approval.) Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Audit Committee may determine the appropriate ratio between the total amount of fees for audit, audit-related and tax services for the Fund (including any audit-related or tax services fees for affiliates that are subject to pre-approval), and the total amount of fees for services classified as "all other" services (including any such services for affiliates that are subject to pre-approval).

## VIII. Procedures

All requests or applications for services to be provided by the independent auditor that do not require specific approval by the Audit Committee will be submitted to the Fund's Administrator and must include a detailed description of the services to be rendered. The Administrator will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the independent auditor.

Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditor and the Fund's Administrator, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Fund's Administrator to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this Policy. The Administrator will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Administrator and any member of management will immediately report to the Chairman of the Audit Committee any breach of this Policy that comes to their attention.

## IX. Additional Requirements

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the independent auditor and to assure the auditor's independence from the Fund, such as reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Fund, consistent with Independence Standards Board Standard No. 1 ("Independence Discussions with Audit Committees," as adopted by the Public Company Accounting Oversight Board in Rule 3600T), and discussing with the independent auditor its methods and procedures for ensuring independence.

**Appendix A****Pre-Approved Audit Services for Fiscal Year Ending in 2007**

Dated: February 19, 2007

| Service   | Range of Fees(1) |     |               |
|---|------------------|-----|---------------|
|   | DTF              | DUC | Affiliates(2) |
| 1. Services required under generally accepted auditing standards to perform the audit of the annual financial statements of the Fund, including performance of tax qualification tests relating to the Fund's regulated investment company status and issuance of an internal control letter for the Fund's Form N-SAR  | (3)              | (3) | N/A           |
| 2. Reading of the Fund's semi-annual financial statements   | (4)              | (4) | N/A           |
| 3. Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters   | (4)              | (4) | N/A           |
| 4. Consultations by the Fund's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies (Note: Under SEC rules, some consultations may be "audit-related" services rather than "audit" services) | (4)              | (4) | N/A           |

- (1) In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.
- (2) These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.
- (3) The fee for this pre-approved service is not shown in the table because the 2007 engagement letter has not yet been finalized. The comparable fee for this service for the fiscal year ended in 2006 was \$42,000 for DTF and \$44,000 for DUC. When the fee is determined in connection with the finalization and signing of the 2007 engagement letter, such fee will become part of this Pre-Approval Policy.
- (4) Fees for services designated with a (4) shall either be included in the fee approved for item 1 of this Appendix A or may be separately charged, provided that the aggregate separate charges for all services designated with a (4) in Appendices A and B may not exceed 10% of the fee approved for item 1 of this Appendix A.

**Appendix B****Pre-Approved Audit-Related Services for Fiscal Year Ending in 2007**

Dated: February 19, 2007

| Service   | Range of Fees(1) |     |               |
|---|------------------|-----|---------------|
|   | DTF              | DUC | Affiliates(2) |
| 1. Issuance of annual agreed-upon procedures letters relating to the preferred stock or commercial paper, if any, issued by the Fund  | (3)              | (3) | N/A           |
| 2. Agreed-upon or expanded audit procedures related to accounting records required to respond to or comply with financial, accounting or regulatory reporting matters   | (4)              | (4) | N/A           |
| 3. Consultations by the Fund's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be "audit" services rather than "audit-related" services) | (4)              | (4) | N/A           |
| 4. General assistance with implementation of the requirements of SEC rules or listing standards promulgated pursuant to the Sarbanes-Oxley Act  | (4)              | (4) | N/A           |

- (1) In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.
- (2) These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.
- (3) The fee for this pre-approved service is not shown in the table because the 2007 engagement letter has not yet been finalized. The comparable fee for this service for the fiscal year ended in 2006 was \$3,000 for each of DTF and DUC. When the fee is determined in connection with the finalization and signing of the 2007 engagement letter, such fee will become part of this Pre-Approval Policy.
- (4) Fees for services designated with a (4) shall either be included in the fee approved for item 1 of Appendix A or may be separately charged, provided that the aggregate separate charges for all services designated with a (4) in Appendices A and B may not exceed 10% of the fee approved for item 1 of Appendix A.

**Appendix C****Pre-Approved Tax Services for Fiscal Year Ending in 2007**

Dated: February 19, 2007

| Service   | Range of Fees(1) |     |               |
|---|------------------|-----|---------------|
|   | DTF              | DUC | Affiliates(2) |
| 1. Preparation of federal and state tax returns, including excise tax returns, and review of required distributions to avoid excise tax | (3)              | (3) | N/A           |
| 2. Consultations with the Fund's management as to the tax treatment of transactions or events   | (4)              | (4) | N/A           |
| 3. Tax advice and assistance regarding statutory, regulatory or administrative developments   | (4)              | (4) | N/A           |

- (1) In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.
- (2) These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.
- (3) The fee for this pre-approved service is not shown in the table because the 2007 engagement letter has not yet been finalized. The comparable fee for this service for the fiscal year ended in 2006 was \$4,300 for each of DTF and DUC. When the fee is determined in connection with the finalization and signing of the 2007 engagement letter, such fee will become part of this Pre-Approval Policy.
- (4) Fees for services designated with a (4) shall either be included in the fee approved for item 1 of this Appendix C or may be separately charged, provided that the aggregate separate charges for all services designated with a (4) in this Appendix C may not exceed 10% of the fee approved for item 1 of this Appendix C.

**Appendix D****Pre-Approved "All Other" Services for Fiscal Year Ending in 2007**

Dated: February 19, 2007

| Service | Range of Fees(1) |     |               |
|---------|------------------|-----|---------------|
|         | DTF              | DUC | Affiliates(2) |
| None    |                  |     |               |

- (1) In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.
- (2) These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.

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**Appendix E****Prohibited Non-Audit Services**

- É Bookkeeping or other services related to the accounting records or financial statements of the audit client
- É Financial information systems design and implementation
- É Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- É Actuarial services
- É Internal audit outsourcing services
- É Management functions
- É Human resources
- É Broker-dealer, investment adviser or investment banking services
- É Legal services
- É Expert services unrelated to the audit

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

The registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are E. Virgil Conway, Harry Dalzell-Payne, Nancy Lampton, Geraldine M. McNamara, Eileen A. Moran, Carl F. Pollard and David J. Vitale.

**ITEM 6. SCHEDULE OF INVESTMENTS**

Included as part of the report to shareholders filed under Item 1 of this Form.

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**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

Although the registrant does not typically hold voting securities, the registrant's board of directors, jointly with the board of directors of DTF, has adopted the following statement of policy with respect to proxy voting.

**DTF TAX-FREE INCOME INC.  
DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**

**STATEMENT OF POLICY WITH RESPECT TO PROXY VOTING**

- I. **Definitions.** As used in this Statement of Policy, the following terms shall have the meanings ascribed below:
- A. "Adviser" refers to Duff & Phelps Investment Management Co. ("DPIM").
  - B. "Corporate Governance Matters" refers to changes involving the corporate ownership or structure of an issuer whose voting securities are within a Portfolio Holding, including changes in the state of incorporation, changes in capital structure, including increases and decreases of capital and preferred stock issuance, mergers and other corporate restructurings, and anti-takeover provisions such as staggered boards, poison pills, and supermajority voting provisions.
  - C. "Delegate" refers to the Adviser to whom responsibility has been delegated to vote proxies for the applicable Portfolio Holding, including any qualified, independent organization engaged by an Adviser to vote proxies on behalf of such delegated entity.
  - D. "Fund" refers to each of (i) Duff & Phelps Utility and Corporate Bond Trust Inc. and (ii) DTF Tax-Free Income Inc.
  - E. "Management Matters" refers to stock option plans and other management compensation issues.
  - F. "Portfolio Holding" refers to any company or entity whose voting securities are held within the investment portfolio(s) as of the date a proxy is solicited.
  - G. "Proxy Contests" refer to any meeting of shareholders of an issuer for which there are at least two sets of proxy statements and proxy cards, one solicited by management and the others by a dissident or group of dissidents.
  - H. "Social Issues" refers to social and environmental issues.
  - I. "Takeover" refers to "hostile" or "friendly" efforts to effect radical change in the voting control of the board of directors of a company.
- II. **General Policy.** It is the intention of the Fund to exercise voting stock ownership rights in Portfolio Holdings in a manner that is reasonably anticipated to further the best economic interests of shareholders of the Fund. Accordingly, the Fund or its Delegate(s) shall endeavor to analyze and vote all proxies that are considered likely to have financial implications, and, where appropriate, to participate in corporate governance, shareholder proposals, management communications and legal proceedings. The Fund and its Delegate(s) must also identify potential or actual conflicts of interests in voting proxies and address any such conflict of interest in accordance with this Statement of Policy.

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### III. *Factors to consider when voting.*

- A. A Delegate may abstain from voting when it concludes that the effect on shareholders' economic interests or the value of the Portfolio Holding is indeterminable or insignificant.
- B. In analyzing **anti-takeover measures**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as overall long-term financial performance of the target company relative to its industry competition. Key measures which shall be considered include, without limitation, five-year annual compound growth rates for sales, operating income, net income, and total shareholder returns (share price appreciation plus dividends). Other financial indicators that will be considered include margin analysis, cash flow, and debt levels.
- C. In analyzing **contested elections**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as the qualifications of all director nominees. The Delegate shall also consider the independence and attendance record of board and key committee members. A review of the corporate governance profile shall be completed highlighting entrenchment devices that may reduce accountability.
- D. In analyzing **corporate governance matters**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as tax and economic benefits associated with amending an issuer's state of incorporation, dilution or improved accountability associated with changes in capital structure, management proposals to require a supermajority shareholder vote to amend charters and bylaws and bundled or conditioned proxy proposals.
- E. In analyzing **executive compensation proposals and management matters**, the Adviser shall vote on a case-by-case basis taking into consideration such factors as executive pay and spending on perquisites, particularly in conjunction with sub-par performance and employee layoffs.
- F. In analyzing **proxy contests for control**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as long-term financial performance of the target company relative to its industry; management's track record; background to the proxy contest; qualifications of director nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions.
- G. A Delegate shall generally vote against shareholder **social matters** proposals.

### IV. *Delegation.*

- A. In the absence of a specific direction to the contrary from the Board of Trustees of the Fund, the Adviser will be responsible for voting proxies for all Portfolio Holdings in accordance with this Statement of Policy, or for delegating such responsibility as described below.
- B. The Adviser or Delegate with authority to vote proxies for Portfolio Holdings shall be deemed to assume a duty of care to safeguard the best interests of the Fund and its shareholders. No Delegate shall accept direction or inappropriate influence from any other client, director or employee of any affiliated company and shall not cast any vote inconsistent with this Statement of Policy without obtaining the prior approval of the Fund or its duly authorized representative(s).

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**V. *Conflicts of Interest.***

- A. The Fund and its Delegate(s) seek to avoid actual or perceived conflicts of interest in the voting of proxies for Portfolio Holdings between the interests of Fund shareholders, on one hand, and those of the Adviser, Delegate, principal underwriter, or any affiliated person of the Fund, on the other hand. The Board of Trustees may take into account a wide array of factors in determining whether such a conflict exists, whether such conflict is material in nature, and how to properly address or resolve the same.
- B. While each conflict situation varies based on the particular facts presented and the requirements of governing law, the Board of Trustees or its delegate(s) may take the following actions, among others, or otherwise give weight to the following factors, in addressing material conflicts of interest in voting (or directing Delegates to vote) proxies pertaining to Portfolio Holdings: (i) rely on the recommendations of an established, independent third party with qualifications to vote proxies such as Institutional Shareholder Services; (ii) vote pursuant to the recommendation of the proposing Delegate; (iii) abstaining; or (iv) where two or more Delegates provide conflicting requests, vote shares in proportion to the assets under management of the each proposing Delegate.
- C. Each Adviser shall promptly notify the President of the Fund once any actual or potential conflict of interest exists and their recommendations for protecting the best interests of Fund's shareholders. No Adviser shall waive any conflict of interest or vote any conflicted proxies without the prior written approval of the Board of Trustees or the President of the Fund pursuant to section D of this Article.
- D. In the event that a determination, authorization or waiver under this Statement of Policy is requested at a time other than a regularly scheduled meeting of the Board of Trustees, the President of the Fund shall be empowered with the power and responsibility to interpret and apply this Statement of Policy and provide a report of his or her determinations at the next following meeting of the Board of Trustees.

**VI. *Miscellaneous.***

- A. A copy of the current Statement of Policy with Respect to Proxy Voting and the voting records for the Fund reconciling proxies with Portfolio Holdings and recording proxy voting guideline compliance and justification, shall be kept in an easily accessible place and available for inspection either physically or through electronic posting on an approved website.
- B. Adviser shall present a report of any material deviations from this Statement of Policy at every regularly scheduled meeting of the Board of Trustees and shall provide such other reports as the Board of Trustees may request from time to time. Adviser shall provide to the Fund or any shareholder a record of its effectuation of proxy voting pursuant to this Statement of Policy at such times and in such format or medium as the Fund shall reasonably request. Adviser shall be solely responsible for complying with the disclosure and reporting requirements under applicable laws and regulations, including, without limitation, Rule 206(4)-6 under the Investment Advisers Act of 1940. Adviser shall gather, collate and present information relating to the its proxy voting activities of those of each Delegate in such format and medium as the Fund shall determine from time to time in order for the Fund to discharge its disclosure and reporting obligations pursuant to Rule 30b1-4 under the Investment Company Act of 1940, as amended.
- C. Adviser shall pay all costs associated with proxy voting for Portfolio Holdings pursuant to this Statement of Policy and assisting the Fund in providing public notice of the manner in which such proxies were voted.

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D. This Statement of Policy shall be presented to the Board of Trustees annually for their amendment and/or approval.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Fund's Portfolio Managers

A team of investment professionals employed by Duff & Phelps Investment Management Co., the Fund's investment adviser (the "Adviser"), is responsible for the day-to-day management of the Fund's portfolio. The members of that investment team and their respective areas of responsibility and expertise, as of March 9, 2007, are as follows:

Daniel J. Petrisko, CFA, has been Chief Investment Officer of the Fund since February 2004 (Portfolio Manager from 2002 to 2004, Vice President since 2000). He has been a Senior Vice President of the Adviser since 1997 (Vice President from 1995 to 1997). Mr. Petrisko has investment authority with respect to the Fund's investment portfolio. He is also a member of the portfolio management team of DNP Select Income Fund Inc. ("DNP"), a closed-end utilities-oriented fund. He joined the Duff & Phelps organization in 1995 and has served since then in positions of increasing responsibility.

T. Brooks Beittel, CFA, has served on the Fund's portfolio management team since February 2004 and has been Secretary of the Fund since May 2005. He has been Senior Vice President of the Adviser since 1993 (Vice President 1987-1993), Senior Vice President and Secretary of DNP since January 1995 (Treasurer from January 1995 to September 2002) and Secretary of DTF since May 2005. Mr. Beittel assists Mr. Petrisko in the management of the Fund's investment portfolio. He is also a member of the portfolio management teams of DNP and Phoenix Global Utilities Fund, an open-end utilities oriented fund. He joined the Duff & Phelps organization in 1987 and has served since then in positions of increasing responsibility.

Other Accounts Managed by the Fund's Portfolio Managers

The following table provides information as of December 31, 2006 regarding the other accounts besides the Fund that are managed by the portfolio managers of the Fund. As noted in the table, portfolio managers of the Fund may also manage or be members of management teams for other mutual funds within the same fund complex or other similar accounts. For purposes of this disclosure, the term "fund complex" includes the Fund and all other investment companies advised by affiliates of Phoenix Investment Partners, Ltd. ("PIP"), the Adviser's parent company. As of December 31, 2006, the Fund's portfolio managers did not manage any accounts with respect to which the advisory fee is based on the performance of the account, nor do they manage any hedge funds.

| Name of Portfolio Manager | Registered               |                               | Other Pooled            |                               | Other Accounts (3)    |                               |
|---------------------------|--------------------------|-------------------------------|-------------------------|-------------------------------|-----------------------|-------------------------------|
|                           | Investment Companies (1) |                               | Investment Vehicles (2) |                               |                       |                               |
|                           | Number of<br>Accounts    | Total Assets<br>(in millions) | Number of<br>Accounts   | Total Assets<br>(in millions) | Number of<br>Accounts | Total Assets<br>(in millions) |
| Daniel J. Petrisko        | 1                        | \$ 3,285.8                    | 0                       | 0                             | 9                     | \$ 1,532.6                    |
| T. Brooks Beittel         | 2                        | \$ 3,317.9                    | 0                       | 0                             | 0                     | 0                             |

- (1) Registered Investment Companies include all open and closed-end mutual funds. For Registered Investment Companies, assets represent net assets of all open-end investment companies and gross assets of all closed-end investment companies.
- (2) Other Pooled Investment Vehicles include, but are not limited to, securities of issuers exempt from registration under Section 3(c) of the Investment Company Act of 1940 (the "1940 Act"), such as private placements and hedge funds.
- (3) Other Accounts include, but are not limited to, individual managed accounts, separate accounts, institutional accounts, pension funds and collateralized bond obligations.

There may be certain inherent conflicts of interest that arise in connection with the portfolio managers' management of the Fund's investments and the investments of any other accounts they manage. Such conflicts could include aggregation of orders for all accounts managed by a particular portfolio manager, the allocation of purchases across all such accounts, the allocation of IPOs and any soft dollar arrangements that the Adviser may have in place that could benefit the Fund and/or such other accounts. The Adviser has adopted policies and procedures designed to address any such conflicts of interest to ensure that all management time, resources and investment opportunities are allocated equitably. There have been no material compliance issues with respect to any of these policies and procedures during the Fund's most recent fiscal year.

#### Compensation of the Fund's Portfolio Managers

The following is a description of the compensation structure, as of December 31, 2006, of the Fund's portfolio managers. The Fund's portfolio managers receive a competitive base salary, an incentive bonus opportunity and a benefits package.

Each portfolio manager is paid a fixed base salary, which is determined by PXP and is designed to be competitive in light of the individual's experience and responsibilities. The management of PXP uses compensation survey results of investment industry compensation conducted by an independent third party in evaluating competitive market compensation for its investment management professionals.

The incentive bonus package for portfolio managers is based upon how well the individual manager meets or exceeds assigned goals and a subjective assessment of contribution to the team effort. Their incentive bonus also reflects an investment performance component. In the case of Mr. Petrisko, his performance component is based in part on the Fund and DNP achieving and/or exceeding income targets underlying their ability to pay common stock dividends, and in part on the one-year total return of the Fund and other managed accounts relative to their respective benchmarks. The benchmark used for the Fund is the General Bond Fund section of the Lipper closed-end fund universe. Because Mr. Beittel's primary responsibility relates to DNP, his performance component is based in part on DNP achieving and/or

exceeding income targets underlying its ability to pay common stock dividends, and in part on DNP's performance relative to a composite of the Standard & Poor's 500 Utilities Sector Index and the Lehman Brothers Utility Bond Index reflecting the stock and bond ratio of DNP. For both portfolio managers, the performance component is further adjusted to reward them for managing within the stated framework and for not taking unnecessary risks. This ensures that investment personnel will remain focused on managing and acquiring securities that correspond to the Fund's mandate and risk profile. It also avoids the temptation for portfolio managers to take on more risk and unnecessary exposure to chase performance for personal gain.

Incentive bonus compensation of the Fund's portfolio managers is currently comprised of two main components: 70% of the incentive bonus is based on the formulaic calculation of investment performance measures discussed above. The remaining 30% of the incentive bonus is based on the profitability of The Phoenix Companies, Inc. ("PNX"), the ultimate parent of PXP and the Adviser.

Prior to 2006, the incentive bonus compensation has been paid 100% in cash. However, PNX has determined that 15% of the incentive bonus compensation for 2006 (payable in 2007) will be paid in PNX restricted stock units which will vest over a three-year period.

The portfolio managers' incentive bonus compensation is not based on the value of assets held in the Fund's portfolio, except to the extent that the level of assets in the Fund's portfolio affects the advisory fee received by the Adviser, and thus indirectly the profitability of PNX.

Finally, the Fund's portfolio managers are eligible to participate in a deferred compensation plan to defer their compensation and realize tax benefits. Portfolio managers are also eligible to participate in broad-based plans offered generally to the firm's employees, including broad-based retirement, 401(k), health and other employee benefit plans. Portfolio managers may also receive PNX stock options and/or be granted PNX restricted stock at the discretion of the PNX board of directors. To date no portfolio manager of the Fund has received awards under the PNX restricted stock units long-term incentive plan.

#### Equity Ownership of Portfolio Managers

The following table sets forth the dollar range of equity securities in the Fund beneficially owned, as of December 31, 2006, by each of the portfolio managers identified above.

| Name of Portfolio Manager | Dollar Range of<br>Equity Securities in the Fund |
|---------------------------|--|
| Daniel J. Petrisko        | \$1-\$10,000                                     |
| T. Brooks Beittel         | \$1-\$10,000                                     |

#### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

During the period covered by this report, no purchases were made by or on behalf of the registrant or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of shares or other units of any class of the registrant's equity securities that is registered by the registrant pursuant to Section 12 of the Exchange Act.

#### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors have been implemented after the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A (*i.e.*, in the registrant's Proxy Statement dated April 18, 2006) or this Item.

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**ITEM 11. CONTROLS AND PROCEDURES.**

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) are effective, based on an evaluation of those controls and procedures made as of a date within 90 days of the filing date of this report as required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Exchange Act.

(b) There has been no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 12. EXHIBITS.**

- (a) Exhibit 99.CERT Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (b) Exhibit 99.906CERT Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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.

(Registrant) DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.

By (Signature and Title)

\_\_\_\_\_  
Alan M. Meder  
Treasurer and Principal Financial Officer

Date March 5, 2007

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.

By (Signature and Title)

\_\_\_\_\_  
Nathan I. Partain  
President and Chief Executive Officer

Date March 5, 2007

By (Signature and Title)

\_\_\_\_\_  
Alan M. Meder  
Treasurer and Principal Financial Officer

Date March 5, 2007