

VAN KAMPEN SENIOR INCOME TRUST

Form N-30D

September 30, 2002

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You have a time-tested partner in Van Kampen.

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

OVERVIEW

LETTER TO SHAREHOLDERS

August 20, 2002

Dear Shareholder,

Due to events in the markets and the well-publicized controversies surrounding certain companies, the recent months have been challenging for many investors.

Against this backdrop, you may be re-evaluating your investments. In this regard, your financial advisor is a particularly valuable resource. Your advisor can help you review your current asset allocation and determine whether it remains appropriate for your goals, risk tolerance and time horizon.

You also have a time-tested partner in Van Kampen. With roots extending to 1927, our legacy spans other market downturns and periods of uncertainty. While the causes of turbulence have changed, our generations of experience have taught us the enduring value of patience, discipline and long-term focus.

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Thank you for your continued trust in Van Kampen. We appreciate the opportunity to help you and your loved ones enjoy life's true wealth--family, friends and life's daily pleasures.

Sincerely,

[SIG]

Richard F. Powers, III  
President and CEO  
Van Kampen Investment Advisory Corp.

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## ECONOMIC SNAPSHOT

### THE ECONOMY

OVERALL ECONOMIC ACTIVITY DURING 2002'S FIRST AND SECOND QUARTERS CONTINUED TO DEPICT A GROWING ECONOMY. GROWTH MOVED DRAMATICALLY HIGHER IN THE FIRST QUARTER AND SUBSIDED DURING THE SECOND QUARTER. MANUFACTURING AND INDUSTRIAL PRODUCTION CONTINUED TO SHOW SIGNS OF IMPROVEMENT.

CONSISTENT WITH SUCH POSITIVE DEVELOPMENTS, CONSUMER SPENDING REMAINED STRONG--BUOYED BY RISING INCOMES AND STABILIZING UNEMPLOYMENT--WHILE GOVERNMENT AND BUSINESS EXPENDITURES ROSE THROUGHOUT MOST OF THE REPORTING PERIOD.

HOWEVER, AS JULY 2002 PROGRESSED, STATISTICAL DATA REFLECTED AN ECONOMY REACTING TO UNCERTAIN WORLD EVENTS AND DECLINING EQUITY PRICES AT HOME. BY THE END OF THE MONTH, SOME MARKET OBSERVERS SUGGESTED U.S. ECONOMIC GROWTH MIGHT TAKE A SLOWER PATH THAN ORIGINALLY PROJECTED BY THE FEDERAL RESERVE BOARD (THE FED).

AGAINST THIS BACKDROP, THE FED TOOK A WAIT-AND-SEE APPROACH AND LEFT INTEREST RATES AT 1.75 PERCENT DURING ITS REGULARLY SCHEDULED AUGUST 12 MEETING.

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## U.S. GROSS DOMESTIC PRODUCT

### SEASONALLY ADJUSTED ANNUALIZED RATES

(June 30, 2000--June 30, 2002)

[BAR GRAPH]

## U.S. GROSS DOMESTIC PRODUCT

|        |       |
|--------|-------|
| Jun 00 | 5.7%  |
| Sep 00 | 1.3%  |
| Dec 00 | 1.9%  |
| Mar 01 | 1.3%  |
| Jun 01 | -1.6% |
| Sep 01 | -0.3% |
| Dec 01 | 2.7%  |
| Mar 02 | 5.0%  |
| Jun 02 | 1.1%  |

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Source: Bureau of Economic Analysis

INTEREST RATES AND INFLATION

(July 31, 2000--July 31, 2002)

[LINE GRAPH]

|        | INTEREST RATES<br>----- |
|--------|-------------------------|
| Jul 00 | 6.50                    |
|        | 6.50                    |
| Oct 00 | 6.50                    |
|        | 6.50                    |
|        | 6.50                    |
| Jan 01 | 5.50                    |
|        | 5.50                    |
|        | 5.00                    |
| Apr 01 | 4.50                    |
|        | 4.00                    |
|        | 3.75                    |
| Jul 01 | 3.75                    |
|        | 3.50                    |
|        | 3.00                    |
| Oct 01 | 2.50                    |
|        | 2.00                    |
|        | 1.75                    |
| Jan 02 | 1.75                    |
|        | 1.75                    |
|        | 1.75                    |
| Apr 02 | 1.75                    |
|        | 1.75                    |
|        | 1.75                    |
| Jul 02 | 1.75                    |

Interest rates are represented by the closing midline federal funds target rate on the last day of each month. Inflation is indicated by the annual percentage change of the Consumer Price Index for all urban consumers at the end of each month.

Source: Bloomberg

PERFORMANCE SUMMARY

RETURN HIGHLIGHTS

(as of July 31, 2002)

-----  
TOTAL RETURNS  
-----

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|  |          |
|--|----------|
| One-year total return(1)                     | -8.05%   |
| -----  |          |
| Life-of-Trust average annual total return(1) | -1.37%   |
| -----  |          |
| Commencement date                            | 06/24/98 |
| -----  |          |

### DISTRIBUTION RATE

|  |       |
|--|-------|
| Distribution rate as a % of closing common share market price(2) | 6.76% |
| -----  |       |

### SHARE VALUATIONS

|  |        |
|--|--------|
| Net asset value                                    | \$7.94 |
| -----  |        |
| Closing common share market price                  | \$6.67 |
| -----  |        |
| One-year high common share market price (08/01/01) | \$7.83 |
| -----  |        |
| One-year low common share market price (07/24/02)  | \$6.20 |
| -----  |        |

- (1) Total return assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing common share market price at the end of the period indicated.
- (2) Distribution rate represents the monthly annualized distributions of the Trust at the end of the period and not the earnings of the Trust.

Past performance is no guarantee of future results. Investment return, common share market price and net asset value will fluctuate and Trust shares, when sold, may be worth more or less than their original cost. An investment in the Trust is subject to investment risks, and you could lose money on your investment in the Trust. As a result of recent market activity, current performance may vary from the figures shown. For more up-to-date information, please visit [vankampen.com](http://vankampen.com) or speak with your financial advisor.

An investment in senior loans is subject to certain risks such as loan defaults and illiquidity due to insufficient collateral backing. Please consult a prospectus for more information.

Market forecasts provided in this report may not necessarily come to pass.

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### PORTFOLIO AT A GLANCE

#### TOP FIVE PORTFOLIO INDUSTRIES\*(+)

(as a percentage of total assets--July 31, 2002)

|                             |      |
|-----------------------------|------|
| Healthcare                  | 8.0% |
| -----                       |      |
| Medical Products & Services | 6.0% |

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|                              |      |
|------------------------------|------|
| Printing & Publishing        | 5.8% |
| Beverage, Food & Tobacco     | 5.8% |
| Hotel, Motels, Inns & Gaming | 5.2% |

TOP TEN HOLDINGS\*(+)

(as a percentage of total assets--July 31, 2002)

|                                       |      |
|---------------------------------------|------|
| Allied Waste North America, Inc.      | 2.1% |
| Rite Aid Corp.                        | 2.0% |
| Charter Communications Operating, LLC | 1.8% |
| Community Health Systems, Inc.        | 1.8% |
| Wyndham International, Inc.           | 1.6% |
| Kindred Healthcare, Inc.              | 1.2% |
| Aladdin Gaming, LLC                   | 1.2% |
| Ashtead Group, PLC                    | 1.1% |
| DaVita, Inc.                          | 1.1% |
| Ispat Inland                          | 1.1% |

\* Excludes short-term investments.

(+) Subject to change daily. All information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned or the securities in the industries shown above. Morgan Stanley and others affiliated with it may hold positions in or may seek to perform investment-banking services for the companies listed.

CURRENT DISTRIBUTION

(August 31, 1998--July 31, 2002)

[INVESTMENT PERFORMANCE GRAPH]

VAN KAMPEN SENIOR INCOME TRUST

8/98

8.490  
8.000  
7.850

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|      |        |
|------|--------|
|      | 7.960  |
|      | 8.170  |
| 1/99 | 7.910  |
|      | 7.760  |
|      | 8.170  |
|      | 8.230  |
|      | 8.170  |
|      | 8.210  |
| 7/99 | 8.160  |
|      | 8.490  |
|      | 8.810  |
|      | 8.750  |
|      | 8.870  |
|      | 9.900  |
| 1/00 | 9.530  |
|      | 8.750  |
|      | 10.340 |
|      | 9.400  |
|      | 9.880  |
|      | 9.960  |
| 7/00 | 9.600  |
|      | 9.460  |
|      | 10.010 |
|      | 10.460 |
|      | 11.300 |
|      | 11.580 |
| 1/01 | 10.660 |
|      | 10.740 |
|      | 10.680 |
|      | 10.490 |
|      | 9.790  |
|      | 9.380  |
| 7/01 | 9.040  |
|      | 8.540  |
|      | 8.490  |
|      | 8.340  |
|      | 7.460  |
|      | 7.200  |
| 1/02 | 6.950  |
|      | 6.790  |
|      | 6.490  |
|      | 6.560  |
|      | 6.350  |
|      | 6.280  |
| 7/02 | 6.760  |

\*Source: Bloomberg

[PHOTO]

Q&A WITH YOUR PORTFOLIO MANAGER

WE RECENTLY SPOKE WITH THE PORTFOLIO MANAGER OF THE VAN KAMPEN SENIOR INCOME TRUST ABOUT THE KEY EVENTS AND ECONOMIC FORCES THAT SHAPED THE MARKETS AND INFLUENCED THE TRUST'S RETURN DURING THE 12 MONTHS ENDED JULY 31, 2002. HOWARD TIFFEN, MANAGING DIRECTOR, IS PRIMARILY RESPONSIBLE FOR THE DAY-TO-DAY MANAGEMENT OF THE TRUST. HE HAS MORE THAN 30 YEARS OF GLOBAL AND DOMESTIC INVESTMENT EXPERIENCE AND MANAGES, AS OF JULY 31, 2002, MORE THAN \$7

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BILLION IN SENIOR LOAN ASSETS. THE FOLLOWING DISCUSSION REFLECTS HIS VIEWS ON THE TRUST'S PERFORMANCE.

Q HOW WOULD YOU CHARACTERIZE THE MARKET ENVIRONMENT IN WHICH THE TRUST OPERATED DURING THE LAST 12 MONTHS?

A The period began with the U.S. economy in the doldrums. The September 11 terrorist attacks made a bad situation worse, causing a sharp drop in investor confidence. Business activity came to a standstill nationwide and across industries. The market seemed to recover its footing toward the end of 2001 as investors' expectations turned to imminent recovery for the U.S. economy and, as a result, for corporate profits. The equity markets also appeared to stabilize during that time and through the first few months of 2002, which provided further support to the credit markets. The bond markets were very strong in the early part of 2002 as investors sought attractive yields in what appeared to be a stabilizing environment.

The market suffered another reversal in the spring, when a string of high-profile accounting scandals began to seriously erode investor confidence in public companies. This reversal and the slowing U.S. economy had a depressing effect on the senior loan market. The effects of increasing corporate defaults--which have tripled over the past two years--and the worst credit market since the early 1990s pushed the pricing of a number of the trust's loans lower.

Q HOW DID THE TRUST PERFORM?

A For the 12-month period ended July 31, 2002, the trust returned -8.05 percent based on market price and not reflective of any early withdrawal charges. While the trust continued its uninterrupted record of monthly dividends, the total return for the year recognizes a decrease in market price from \$7.79 per share on July 31, 2001 to \$6.67 per share on July 31, 2002. During the same period, the trust's net asset value declined from \$8.51 per share on July 31, 2001 to \$7.94 per share on July 31, 2002. In spite of the decline in the level of defaults, from 5.1 percent as of July 31, 2001, to 4.1 percent at the end

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of the current reporting period, the decline in the trust's net asset value was broadly spread across the portfolio, with the general fall in loan prices resulting from the perception that risk in corporate debt had increased during the last part of the period under review. As of July 31, 2002, approximately 98 percent of the trust's senior loan assets had been priced using independent pricing services. Past performance is no guarantee of future results. As a result of recent market activity, current performance may vary from the figures shown. Investment return and principal value will fluctuate and trust shares, when tendered, may be worth more or less than their original cost. For more up-to-date information, please visit [vankampen.com](http://vankampen.com) or speak with your financial advisor. For additional performance results, please refer to the chart and footnotes on page 4.

Q HOW DID THESE FACTORS AFFECT THE WAY YOU MANAGED THE TRUST?

A The past 12 months have been difficult for the trust, which was hindered by the slow economy, high corporate default rates and steadily falling interest rates.

Considering we are in the worst credit market since the early 1990s, we

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believe that the senior-secured nature of our loans is working relatively well for us. Unlike other asset classes, senior loans are differentiated because they are the first claims on the borrower, which are repaid before any payments are made to subordinated bonds or equity. In most cases, senior loans are secured by substantially all the assets of the borrowing company. In addition, senior loans earn interest at a floating-rate which adjusts to current market levels every 6 weeks or so. All of these factors help to moderate the downside risks associated with this asset class. These structural advantages also help to explain the relative stability enjoyed by the asset class as compared to the equities and bonds. The floating-rate mechanism helps to mitigate interest-rate volatility and may provide a hedge in the longer run against rising rates or inflation.

We believe that the value of collateral cannot be overemphasized since in the event of default it represents another source of repayment independent of the borrower's cash flow. However, it is not infallible. Historically, as measured in one study by the rating agency Moody's, senior loans have enjoyed recoveries in the event of default nearly three times higher than recoveries on unsecured bonds. This study showed senior loan recovery rates of about 80 percent. It is still too early to tell (recoveries can take three or more years to be realized), but we believe that recovery rates on defaults which have occurred in the last three years will be somewhat lower, by perhaps as much as 10 percent.

Q WHAT CAN YOU TELL US ABOUT  
THE TRUST'S CREDIT QUALITY COMPARED TO THAT OF THE CORPORATE BOND MARKET?

A It is almost impossible for us to compare the trust's credit quality with that of a corporate bond fund. Senior loans and corporate bonds are different asset classes and the differences between them are probably greater

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than the similarities. The common theme is that lists of issuers of senior loans to leveraged companies are very similar to the list of issuers in a typical high-yield bond fund. The key differences are that the loans are senior and secured. If a company is reorganized, holders of senior-secured loans will likely fare much better than holders of junior, unsecured obligations. So although our loans are made to the same type of companies that would issue high-yield bonds, those factors dramatically differentiate the two.

Q WHAT KIND OF RECOVERY DO YOU  
EXPECT ON DEFAULTED LOANS?

A Investors in defaulted senior loans have to be very patient. When a company runs into financial difficulties, it may take several months of work between the company's owners, management and senior creditors to define what is wrong and how it could be fixed. If the company's financial condition could be improved by reorganizing under the protection of the bankruptcy courts, that process may take up to 2 years or more. Once out of bankruptcy, it is not uncommon for a complete return to health to take an additional two years. As previously stated, history suggests that recoveries can run, on average, in the 70 to 80 percent range.

Q WHAT IS YOUR OUTLOOK FOR  
THE MARKET?

A We are optimistic that the United States may experience a sustainable economic recovery and that inflation may remain in check. This scenario should be positive for the senior-loan asset class and allow issuers to continue to improve their balance sheets in a lower



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interest-rate environment. The trust is typically not adversely affected by rising interest rates. With most fixed-income funds, rising interest rates mean lower bond prices and lower returns. With senior-loan funds, however, the interest that corporations pay on bank loans readjusts soon after interest-rate changes, which means rising rates don't typically hurt such funds.

Our long-term outlook for the senior loan asset class is positive. Corporate earnings have exhibited steady improvement and corporate default rates seem, in our view, to have peaked. We believe that the Fed's strategy will, in time, begin to favor tighter monetary policy, which could result in higher interest rates on senior loans. Furthermore, positive credit events and a stronger economy could lead to improved valuations in the senior-loan market.

We will continue to monitor credit conditions carefully in the senior-loan sector in general and the credit quality of our portfolio in particular. In addition, we will continue to scrutinize the financial position of the trust's borrowers and uphold our strict screening process for credit approval, both for the positions owned and for potential investments.

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### GLOSSARY OF TERMS

A HELPFUL GUIDE TO SOME OF THE COMMON TERMS YOU ARE LIKELY TO SEE IN THIS REPORT AND OTHER FINANCIAL PUBLICATIONS.

**DEFAULT:** The failure to make required debt payments on time.

**FEDERAL FUNDS RATE:** The interest rate charged by one financial institution lending federal funds to another. The Federal Reserve Board adjusts the federal funds rate to affect the direction of interest rates.

**FEDERAL RESERVE BOARD (THE FED):** The governing body of the Federal Reserve System, which is the central bank of the United States. Its policy-making committee, called the Federal Open Market Committee, meets at least eight times a year to establish monetary policy and monitor the economic pulse of the United States.

**NET ASSET VALUE (NAV):** The value of a trust share, calculated by deducting a trust's liabilities from the total assets applicable to common shareholders in its portfolio and dividing this amount by the number of common shares outstanding.

**SECONDARY MARKET:** A market where securities are traded after they are initially offered.

**SENIOR LOANS:** Loans or other debt instruments that are given preference to junior securities of the borrower. In the event of bankruptcy, payments to holders of senior loan obligations are given priority over payments to holders of subordinated debt, as well as shareholders of preferred and common stock. Senior loans may share priority status with other senior securities of the borrower, and such status is not a guarantee that monies to which the investor is entitled will be paid.

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### A FOCUS ON SENIOR LOANS

The Senior Income Trust invests primarily in adjustable rate senior loans to corporations, partnerships, and other business entities that operate in a

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variety of industries and geographic locations. Senior loans have a number of characteristics that, in the opinion of the trust's management team, are important to the integrity of the trust's portfolio. These include:

### SENIOR STANDING

With respect to interest payments, senior loans generally have priority over other classes of loans, preferred stock, or common stocks, though they may have equal status with other securities of the borrower. This status is not a guarantee, however, that monies to which the trust is entitled will be paid. If they are not fully paid, it potentially could have a negative effect on the trust's net asset value.

### COLLATERAL BACKING

Senior loans are often secured by collateral that has been pledged by the borrower under the terms of a loan agreement. Forms of collateral include trademarks, accounts receivable or inventory, buildings, real estate, franchises, and common and preferred stock in subsidiaries and affiliates. Under certain circumstances, collateral might not be entirely sufficient to satisfy the borrower's obligations in the event of nonpayment of scheduled interest or principal, and in some instances may be difficult to liquidate on a timely basis.

Additionally, a decline in the value of the collateral could cause the loan to become substantially undersecured, and circumstances could arise (such as bankruptcy of a borrower) that could cause the trust's security interest in the loan's collateral to be invalidated. This could potentially have a negative effect on the trust's net asset value.

### CREDIT QUALITY

Many senior loans carry provisions designed to protect the lender in certain circumstances. In addition, the variable-rate nature of the portfolio is expected to lessen the fluctuation in the trust's net asset value. However, the net asset value will still be subject to the influence of changes in the real or perceived credit quality of the loans in which the trust invests. This may occur, for example, in the event of a sudden or extreme increase in prevailing interest rates, a default in a loan in which the trust holds an interest, or a substantial deterioration in the borrower's creditworthiness. From time to time, the trust's net asset value may be more or less than at the time of the investment.

### SPECIAL CONSIDERATIONS

Under normal market conditions, the trust may invest up to 20 percent of its assets in senior loans that are not secured by any specific collateral. In addition, the trust may invest in senior loans made to non-U.S. borrowers, although these loans must be U.S.-dollar denominated and pay principal and interest in U.S. dollars.

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### BY THE NUMBERS

#### YOUR TRUST'S INVESTMENTS

July 31, 2002

THE FOLLOWING PAGES DETAIL YOUR TRUST'S PORTFOLIO OF INVESTMENTS AT THE END OF THE REPORTING PERIOD. (1)

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| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER  | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE                        |
|------------------------------|---|-----------------------|-----|----------------------|------------------------------|
|                              |   | MOODY'S               | S&P |                      |                              |
|                              | VARIABLE RATE** SENIOR LOAN INTERESTS                       |                       |     | 123.1%               |                              |
|                              | AEROSPACE/DEFENSE   |                       |     | 4.2%                 |                              |
| \$ 5,409                     | Aerostructures Corp.,<br>Term Loan.....                     | NR                    | BB- | 12/31/03 to 09/06/04 | \$ 5,379,525                 |
| 1,924                        | Aircraft Braking Systems<br>Corp., Term Loan.....           | NR                    | NR  | 10/15/05             | 1,929,907                    |
| 6,584                        | Alliant Techsystems,<br>Inc., Term Loan.....                | Ba2                   | BB- | 04/20/09             | 6,652,627                    |
| 3,669                        | DeCrane Aircraft<br>Holdings, Inc., Term<br>Loan.....       | B2                    | B+  | 12/17/06             | 3,613,570                    |
| 7,642                        | DRS Technologies, Inc.,<br>Term Loan.....                   | Ba3                   | BB- | 09/30/08             | 7,699,567                    |
| 9,023                        | EG&G Technical Services,<br>Inc., Term Loan.....            | B1                    | NR  | 08/20/07             | 9,023,374                    |
| 4,688                        | Fairchild Corp., Term<br>Loan.....                          | B1                    | B+  | 04/30/06             | 4,618,008                    |
| 648                          | Integrated Defense<br>Technologies, Inc., Term<br>Loan..... | NR                    | NR  | 03/04/08             | 650,806                      |
| 12,286                       | United Defense<br>Industries, Inc., Term<br>Loan.....       | Ba3                   | BB- | 08/13/07 to 08/13/09 | 12,305,386                   |
| 8,064                        | Vought Aircraft<br>Industries, Inc., Term<br>Loan.....      | NR                    | NR  | 12/31/06 to 06/30/08 | 8,096,101                    |
|                              |   |                       |     |                      | -----<br>59,968,871<br>----- |
|                              | AUTOMOTIVE  |                       |     | 5.1%                 |                              |
| 5,865                        | AMCAN Consolidated<br>Technologies, Inc., Term<br>Loan..... | NR                    | NR  | 03/28/07             | 5,601,075                    |
| 2,239                        | Breed Technologies,<br>Inc., Term Loan (i).....             | NR                    | NR  | 12/20/04             | 2,116,233                    |
| 11,911                       | Citation Corp., Term<br>Loan.....                           | NR                    | B+  | 12/01/07             | 10,600,443                   |

See Notes to Financial Statements

YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER | BANK LOAN<br>RATINGS+ |     | STATED MATURITY* | VALUE |
|------------------------------|----------|-----------------------|-----|------------------|-------|
|                              |          | MOODY'S               | S&P |                  |       |

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| AUTOMOTIVE (CONTINUED)        |  |     |     |                      |                              |
|-------------------------------|--|-----|-----|----------------------|------------------------------|
| \$ 7,300                      | Dura Operating Corp.,<br>Term Loan.....                        | Ba3 | BB  | 12/31/08             | \$ 7,353,611                 |
| 20,218                        | Federal-Mogul Corp.,<br>Term Loan (c).....                     | NR  | NR  | 10/05/03 to 02/24/04 | 20,172,140                   |
| 8,767                         | Federal-Mogul Corp.,<br>Revolving Credit<br>Agreement (c)..... | NR  | NR  | 02/24/04             | 8,723,258                    |
| 1,445                         | J.L. French Automotive<br>Castings, Inc., Term<br>Loan.....    | B1  | NR  | 10/21/06             | 1,263,951                    |
| 379                           | Oshkosh Truck Corp.,<br>Term Loan.....                         | NR  | BB+ | 01/31/07             | 381,929                      |
| 13,796                        | Safelite Glass Corp.,<br>Term Loan.....                        | NR  | NR  | 09/30/07             | 13,485,615                   |
| 2,993                         | Stoneridge, Inc., Term<br>Loan.....                            | Ba3 | BB- | 04/30/08             | 3,007,462                    |
|                               |  |     |     |                      | -----<br>72,705,717<br>----- |
| BANKING 0.7%                  |  |     |     |                      |                              |
| 10,080                        | Golden State Bancorp,<br>Inc., Term Loan.....                  | NR  | NR  | 12/20/02             | 10,029,600                   |
|                               |  |     |     |                      | -----                        |
| BEVERAGE, FOOD & TOBACCO 7.6% |  |     |     |                      |                              |
| 19,698                        | Agrilink Foods, Inc.,<br>Term Loan.....                        | B1  | B+  | 09/30/04 to 09/30/05 | 19,683,474                   |
| 21,536                        | Aurora Foods, Inc., Term<br>Loan.....                          | B2  | B-  | 06/30/05 to 09/30/06 | 20,107,530                   |
| 4,667                         | B & G Foods, Inc., Term<br>Loan.....                           | B1  | B+  | 03/31/06             | 4,665,928                    |
| 947                           | Cott Beverages, Inc.,<br>Term Loan.....                        | NR  | BB  | 12/31/06             | 952,076                      |
| 14,169                        | Dean Foods Co., Term<br>Loan.....                              | Ba2 | BB+ | 07/15/07 to 07/15/08 | 14,234,655                   |
| 2,098                         | Del Monte Corp., Term<br>Loan.....                             | Ba3 | B+  | 03/31/08             | 2,113,693                    |
| 14,269                        | Doane Pet Care Co., Term<br>Loan.....                          | B1  | B+  | 03/31/05 to 12/31/06 | 13,994,997                   |

See Notes to Financial Statements

YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000)         | BORROWER                                | BANK LOAN<br>RATINGS+ |     | STATED MATURITY* | VALUE        |
|--------------------------------------|---|-----------------------|-----|------------------|--------------|
|                                      |   | MOODY'S               | S&P |                  |              |
| BEVERAGE, FOOD & TOBACCO (CONTINUED) |   |                       |     |                  |              |
| \$ 3,252                             | Hartz Mountain Corp.,<br>Term Loan..... | NR                    | NR  | 12/31/07         | \$ 3,259,802 |
| 5,347                                | Imperial Sugar Corp.,                   |                       |     |                  |              |

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|        |                          |     |      |                      |             |
|--------|--------------------------|-----|------|----------------------|-------------|
|        | Term Loan.....           | NR  | NR   | 12/31/06             | 4,250,940   |
| 1,333  | Interstate Brands Corp., |     |      |                      |             |
|        | Term Loan.....           | Ba1 | BBB- | 07/19/07             | 1,340,667   |
| 6,003  | Land O' Lakes, Inc.,     |     |      |                      |             |
|        | Term Loan.....           | Ba2 | BBB- | 10/10/08             | 5,590,199   |
| 1,401  | Luigino's, Inc., Term    |     |      |                      |             |
|        | Loan.....                | B1  | BB-  | 12/31/05             | 1,400,870   |
| 3,999  | Mafco Worldwide Corp.,   |     |      |                      |             |
|        | Term Loan.....           | NR  | NR   | 03/31/06             | 3,958,570   |
| 499    | Meow Mix Co., Term       |     |      |                      |             |
|        | Loan.....                | Ba3 | BB-  | 01/31/08             | 502,491     |
| 1,995  | National Dairy Holdings, |     |      |                      |             |
|        | LP, Term Loan.....       | Ba2 | BB+  | 04/29/09             | 2,005,390   |
| 829    | New World Pasta Co.,     |     |      |                      |             |
|        | Term Loan.....           | B1  | B    | 01/28/06             | 827,961     |
| 960    | New World Pasta Co.,     |     |      |                      |             |
|        | Revolving Credit         |     |      |                      |             |
|        | Agreement.....           | B1  | B    | 01/28/05             | 948,000     |
| 5,000  | Pinnacle Foods, Inc.,    |     |      |                      |             |
|        | Term Loan.....           | Ba3 | BB-  | 05/22/08             | 5,050,000   |
| 3,000  | Southern Wine & Spirits  |     |      |                      |             |
|        | of America, Inc., Term   |     |      |                      |             |
|        | Loan.....                | NR  | NR   | 07/02/08             | 3,015,939   |
|        |                          |     |      |                      | -----       |
|        |                          |     |      |                      | 107,903,182 |
|        |                          |     |      |                      | -----       |
|        | BROADCASTING--CABLE 5.8% |     |      |                      |             |
| 6,965  | CC VIII Operating, LLC,  |     |      |                      |             |
|        | Term Loan.....           | Ba3 | BB+  | 02/02/08             | 6,094,375   |
| 37,751 | Charter Communications   |     |      |                      |             |
|        | Operating, LLC, Term     |     |      |                      |             |
|        | Loan (j).....            | Ba3 | BBB- | 09/18/07 to 09/18/08 | 33,024,994  |
| 16,888 | Falcon Cable             |     |      |                      |             |
|        | Communications, LP, Term |     |      |                      |             |
|        | Loan.....                | Ba3 | NR   | 12/31/07             | 15,367,625  |
| 4,896  | Frontiervision Operating |     |      |                      |             |
|        | Partners, LP, Term Loan  |     |      |                      |             |
|        | (c).....                 | B2  | D    | 03/31/06             | 4,103,058   |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER                        | BANK LOAN<br>RATINGS+ |     | STATED MATURITY* | VALUE        |
|------------------------------|---------------------------------|-----------------------|-----|------------------|--------------|
|                              |                                 | MOODY'S               | S&P |                  |              |
|                              | BROADCASTING--CABLE (CONTINUED) |                       |     |                  |              |
| \$ 4,364                     | Frontiervision Operating        |                       |     |                  |              |
|                              | Partners, LP, Revolving         |                       |     |                  |              |
|                              | Credit Agreement (c)....        | B2                    | D   | 10/31/05         | \$ 3,627,273 |
| 7,750                        | Insight Midwest                 |                       |     |                  |              |
|                              | Holdings, LLC, Term             |                       |     |                  |              |

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|       |  |      |      |                      |            |
|-------|--|------|------|----------------------|------------|
| 5,250 | Loan.....  | Ba3  | BB+  | 06/30/09 to 12/31/09 | 7,390,974  |
|       | MCC Iowa, LLC, Term  |      |      |                      |            |
| 9,240 | Loan.....  | NR   | NR   | 09/30/10             | 5,087,250  |
|       | Olympus Cable Holdings,<br>LLC, Term Loan (c).....                           | B2   | D    | 09/30/10             | 7,563,596  |
|       |  |      |      |                      | -----      |
|       |  |      |      |                      | 82,259,145 |
|       |  |      |      |                      | -----      |
|       | BROADCASTING--DIVERSIFIED  | 0.6% |      |                      |            |
| 3,355 | Clear Channel<br>Communications, Inc.,<br>Revolving Credit<br>Agreement..... | Baa3 | BBB- | 06/30/05             | 3,270,725  |
| 1,000 | Cumulus Media, Inc.,<br>Term Loan.....                                       | B1   | B    | 03/28/10             | 1,007,250  |
| 4,583 | Hughes Electronics<br>Corp., Term Loan.....                                  | Ba3  | BB   | 12/05/02             | 4,581,184  |
|       |  |      |      |                      | -----      |
|       |  |      |      |                      | 8,859,159  |
|       |  |      |      |                      | -----      |
|       | BROADCASTING--RADIO  | 0.4% |      |                      |            |
| 6,250 | Citadel Broadcasting<br>Co., Term Loan.....                                  | NR   | NR   | 06/26/09             | 6,290,625  |
|       |  |      |      |                      | -----      |
|       | BROADCASTING--TELEVISION   | 0.5% |      |                      |            |
| 1,500 | Gray Communications<br>Systems, Inc., Term<br>Loan.....                      | Ba3  | B+   | 09/30/09             | 1,504,688  |
| 6,549 | Quorum Broadcasting,<br>Inc., Term Loan.....                                 | NR   | NR   | 12/31/04             | 5,861,334  |
|       |  |      |      |                      | -----      |
|       |  |      |      |                      | 7,366,022  |
|       |  |      |      |                      | -----      |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER   | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE         |
|------------------------------|--|-----------------------|-----|----------------------|---------------|
|                              |  | MOODY'S               | S&P |                      |               |
|                              | BUILDINGS & REAL ESTATE                          | 1.5%                  |     |                      |               |
| \$12,709                     | The Macerich Co., Term<br>Loan.....              | NR                    | NR  | 01/26/03 to 07/26/05 | \$ 12,709,375 |
| 7,000                        | Ventas, Inc., Term<br>Loan.....                  | NR                    | NR  | 04/17/07             | 7,030,625     |
| 1,131                        | Ventas, Inc., Revolving<br>Credit Agreement..... | NR                    | NR  | 04/17/05             | 1,087,582     |
|                              |  |                       |     |                      | -----         |
|                              |  |                       |     |                      | 20,827,582    |
|                              |  |                       |     |                      | -----         |

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|        |  |      |     |                      |                              |
|--------|--|------|-----|----------------------|------------------------------|
|        | CHEMICALS, PLASTICS & RUBBER 4.4%                |      |     |                      |                              |
| 5,000  | Berry Plastics Corp.,<br>Term Loan.....          | B1   | B+  | 07/22/10             | 5,032,290                    |
| 15,056 | GenTek, Inc., Term<br>Loan.....                  | Caa2 | CCC | 04/30/07 to 10/31/07 | 9,906,966                    |
| 4,596  | GEO Specialty Chemicals,<br>Inc., Term Loan..... | B1   | B+  | 12/31/07             | 4,419,273                    |
| 17,922 | Huntsman Corp., Term<br>Loan.....                | Caa2 | NR  | 12/31/02 to 12/31/05 | 16,027,069                   |
| 6,089  | Huntsman ICI Chemicals,<br>LLC, Term Loan.....   | B2   | B+  | 06/30/07 to 06/30/08 | 6,105,108                    |
| 997    | ISP Chemco, Inc., Term<br>Loan.....              | NR   | BB+ | 06/27/08             | 1,002,647                    |
| 4,762  | Lyondell Chemical Co.,<br>Term Loan.....         | Ba3  | NR  | 05/17/06             | 4,826,817                    |
| 4,000  | Messer Griesheim, Term<br>Loan.....              | Ba3  | BB  | 04/27/09 to 04/27/10 | 4,032,500                    |
| 6,078  | Nutrasweet Acquisition<br>Corp., Term Loan.....  | Ba3  | NR  | 05/25/07 to 05/25/09 | 6,097,387                    |
| 5,066  | OM Group, Inc., Term<br>Loan.....                | Ba3  | BB  | 04/01/07             | 5,078,265                    |
| 411    | West American Rubber<br>Co., LLC, Term Loan..... | NR   | NR  | 11/09/03             | 411,162                      |
|        |  |      |     |                      | -----<br>62,939,484<br>----- |
|        | CONSTRUCTION MATERIAL 1.4%                       |      |     |                      |                              |
| 6,648  | Brand Scaffold Services,<br>Inc., Term Loan..... | B1   | NR  | 09/30/03             | 6,598,157                    |
| 2,985  | Dayton Superior Corp.,<br>Term Loan.....         | Ba3  | BB- | 06/02/08             | 2,983,134                    |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER  | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE                        |
|------------------------------|---|-----------------------|-----|----------------------|------------------------------|
|                              |   | MOODY'S               | S&P |                      |                              |
|                              | CONSTRUCTION MATERIAL (CONTINUED)                           |                       |     |                      |                              |
| \$ 1,853                     | Magnatrax Corp., Term<br>Loan.....                          | NR                    | NR  | 11/15/05             | \$ 1,609,062                 |
| 358                          | Professional Service<br>Industries, Inc., Term<br>Loan..... | NR                    | NR  | 09/30/02             | 336,334                      |
| 8,498                        | Wilmar Industries, Inc.,<br>Term Loan.....                  | NR                    | NR  | 09/29/05 to 09/29/07 | 8,356,969                    |
|                              |   |                       |     |                      | -----<br>19,883,656<br>----- |
|                              | CONTAINERS, PACKAGING & GLASS 5.6%                          |                       |     |                      |                              |
| 4,887                        | Applied Tech Management                                     |                       |     |                      |                              |

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|        |  |     |     |                      |            |
|--------|--|-----|-----|----------------------|------------|
| 8,031  | Corp., Term Loan.....  | B1  | NR  | 04/30/07             | 4,578,696  |
|        | Dr. Pepper/Seven Up<br>Bottling Group, Inc.,<br>Term Loan..... | NR  | NR  | 10/07/07             | 8,079,680  |
| 13,467 | Graham Packaging Co.,<br>Term Loan.....                        | B2  | B   | 01/31/06 to 01/31/07 | 13,419,362 |
| 1,704  | Impress Metal Packaging<br>Holding B.V., Term<br>Loan.....     | NR  | B   | 12/31/06             | 1,695,169  |
| 2,888  | LLS Corp., Term Loan (a)<br>(c).....                           | NR  | NR  | 07/31/06             | 1,621,813  |
| 9,203  | Nexpak Corp., Term<br>Loan.....                                | NR  | NR  | 12/31/05 to 12/31/06 | 8,006,642  |
| 10,466 | Owens-Illinois, Inc.,<br>Term Loan.....                        | NR  | NR  | 03/31/04             | 10,417,481 |
| 6,189  | Owens-Illinois, Inc.,<br>Revolving Credit<br>Agreement.....    | NR  | NR  | 03/31/04             | 6,033,697  |
| 4,791  | Packaging Dynamics, Term<br>Loan.....                          | NR  | NR  | 11/20/05             | 4,719,404  |
| 5,893  | Pliant Corp., Term<br>Loan.....                                | B2  | B+  | 05/31/08             | 5,915,692  |
| 1,000  | Riverwood International<br>Corp., Term Loan.....               | B1  | B   | 03/31/07             | 1,003,594  |
| 1,667  | Silgan Holdings, Inc.,<br>Term Loan.....                       | Ba2 | BB- | 11/30/08             | 1,667,708  |
| 5,000  | Smurfit-Stone Container<br>Corp., Term Loan.....               | Ba3 | B+  | 06/30/09             | 5,000,000  |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000)              | BORROWER                               | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE        |
|---|--|-----------------------|-----|----------------------|--------------|
|   |  | MOODY'S               | S&P |                      |              |
| CONTAINERS, PACKAGING & GLASS (CONTINUED) |  |                       |     |                      |              |
| \$ 4,900                                  | Tekni-Plex, Inc., Term<br>Loan.....    | B1                    | B+  | 06/21/08             | \$ 4,916,332 |
| 2,911                                     | U.S. Can Corp., Term<br>Loan.....      | B2                    | B   | 01/04/06             | 2,729,493    |
|   |  |                       |     |                      | -----        |
|   |  |                       |     |                      | 79,804,763   |
|   |  |                       |     |                      | -----        |
| DIVERSIFIED MANUFACTURING 2.2%            |  |                       |     |                      |              |
| 2,463                                     | EnerSys, Term Loan.....                | NR                    | NR  | 11/09/08             | 2,474,828    |
| 14,755                                    | Mueller Group, Inc.,<br>Term Loan..... | B1                    | B+  | 05/31/08             | 14,803,293   |
| 4,640                                     | Neenah Foundry Co., Term<br>Loan.....  | Ca1                   | B-  | 09/30/05             | 4,385,080    |
| 9,244                                     | SPX Corp., Term Loan....               | Ba2                   | BB+ | 09/30/09 to 03/31/10 | 9,262,498    |
| 504                                       | UCAR International,                    |                       |     |                      |              |



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|        |  |     |     |                      |            |
|--------|--|-----|-----|----------------------|------------|
|        | Inc., Term Loan.....                                 | NR  | NR  | 12/31/07             | 505,578    |
|        |  |     |     |                      | -----      |
|        |  |     |     |                      | 31,431,277 |
|        |  |     |     |                      | -----      |
|        | ECOLOGICAL 3.3%                                      |     |     |                      |            |
| 41,088 | Allied Waste North America, Inc., Term Loan (j)..... | Ba3 | BB  | 07/21/05 to 07/21/07 | 38,741,544 |
| 2,952  | Casella Waste Systems, Inc., Term Loan.....          | B1  | BB- | 12/14/06             | 2,960,124  |
| 4,894  | Duratek, Inc., Term Loan.....                        | NR  | NR  | 12/08/06             | 4,698,410  |
| 368    | Stericycle, Inc., Term Loan.....                     | B1  | BB- | 09/30/07             | 370,947    |
|        |  |     |     |                      | -----      |
|        |  |     |     |                      | 46,771,025 |
|        |  |     |     |                      | -----      |
|        | EDUCATION & CHILD CARE 0.1%                          |     |     |                      |            |
| 1,939  | TEC Worldwide, Inc., Term Loan.....                  | NR  | NR  | 02/28/05             | 1,867,433  |
|        |  |     |     |                      | -----      |
|        | ELECTRONICS 3.7%                                     |     |     |                      |            |
| 6,890  | Acterna, LLC, Term Loan.....                         | NR  | B   | 09/30/07             | 4,220,228  |
| 830    | Amphenol Corp., Term Loan.....                       | Ba2 | BB+ | 10/03/04             | 816,618    |
| 3,713  | Audio Visual Services Corp., Term Loan.....          | NR  | NR  | 03/04/04 to 03/04/06 | 3,560,720  |
| 4,178  | Automata, Inc., Term Loan (a) (c).....               | NR  | NR  | 02/28/03 to 02/28/04 | 0          |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL AMOUNT (000) | BORROWER   | BANK LOAN RATINGS+ |      | STATED MATURITY* | VALUE        |
|------------------------|--|--------------------|------|------------------|--------------|
|                        |  | MOODY'S            | S&P  |                  |              |
|                        | ELECTRONICS (CONTINUED)  |                    |      |                  |              |
| \$ 1,302               | Computer Associates International, Inc., Term Loan.....                  | Baa2               | BBB+ | 05/26/03         | \$ 1,256,641 |
| 580                    | Computer Associates International, Inc., Revolving Credit Agreement..... | Baa2               | BBB+ | 05/26/03         | 545,010      |
| 3,011                  | General Cable Corp., Term Loan.....                                      | Ba3                | NR   | 05/25/07         | 2,727,745    |
| 7,000                  | Kinetic Group, Inc., Term Loan.....                                      | B1                 | NR   | 02/28/06         | 6,575,782    |
| 2,207                  | Knowles Electronics,   |                    |      |                  |              |

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|        |   |     |     |                      |                              |
|--------|---|-----|-----|----------------------|------------------------------|
| 5,762  | Inc., Term Loan.....  | B3  | CCC | 06/29/07             | 2,093,741                    |
| 96     | Rowe International,<br>Inc., Term Loan (d).....   | NR  | NR  | 12/31/03             | 201,707                      |
| 12,000 | Rowe International,<br>Inc., Revolving Credit<br>Agreement (d).....                     | NR  | NR  | 12/31/03             | 0                            |
| 4,397  | Seagate Technologies,<br>Inc., Term Loan.....   | Ba1 | BB+ | 05/13/07             | 11,979,000                   |
| 4,920  | Semiconductor Components<br>Industries, LLC, Term<br>Loan.....                          | B2  | B   | 08/04/06 to 08/04/07 | 4,118,975                    |
| 2,800  | Stratus Technologies,<br>Inc., Term Loan.....   | NR  | NR  | 02/26/05             | 4,181,891                    |
| 9,450  | Veridian Corp., Term<br>Loan.....   | Ba3 | BB- | 06/10/08             | 2,818,668                    |
|        | Viasystems, Inc., Term<br>Loan.....   | B3  | CC  | 09/30/05 to 03/31/07 | 7,355,312                    |
|        |   |     |     |                      | -----<br>52,452,038<br>----- |
| 8,983  | ENTERTAINMENT & LEISURE 6.0%<br>Bally Total Fitness<br>Holding Corp., Term<br>Loan..... | Ba3 | B+  | 11/10/04             | 9,005,626                    |
| 4,843  | Bell Sports, Inc., Term<br>Loan.....  | NR  | NR  | 03/31/06 to 03/31/07 | 3,753,547                    |
| 4,000  | Charlotte Hornets NBA<br>Ltd., Term Loan.....   | NR  | NR  | 06/30/04             | 4,020,000                    |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER  | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE        |
|------------------------------|---|-----------------------|-----|----------------------|--------------|
|                              |   | MOODY'S               | S&P |                      |              |
|                              | ENTERTAINMENT & LEISURE (CONTINUED)                                 |                       |     |                      |              |
| \$ 6,500                     | Festival Fun Parks, LLC,<br>Term Loan.....                          | NR                    | NR  | 06/30/07 to 12/31/07 | \$ 6,479,688 |
| 9,769                        | Fitness Holdings<br>Worldwide, Inc., Term<br>Loan.....              | NR                    | B   | 11/02/06 to 11/02/07 | 9,231,921    |
| 990                          | KSL Recreational Group,<br>Inc., Term Loan.....                     | Ba3                   | B+  | 04/30/05 to 04/30/06 | 987,368      |
| 846                          | KSL Recreational Group,<br>Inc., Revolving Credit<br>Agreement..... | Ba3                   | B+  | 04/30/04             | 833,173      |
| 19,425                       | Metro-Goldwyn-Mayer,<br>Inc., Term Loan.....                        | NR                    | NR  | 06/30/08             | 19,446,853   |
| 1,993                        | Panavision, Inc., Term<br>Loan.....                                 | B3                    | CCC | 03/31/05             | 1,818,803    |
| 2,500                        | Phoenix Suns, Term  |                       |     |                      |              |

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|       |  |     |     |          |            |
|-------|--|-----|-----|----------|------------|
| 4,900 | Loan.....  | NR  | NR  | 03/31/05 | 2,500,000  |
|       | Playcore Wisconsin, Inc., Term Loan.....                     | NR  | NR  | 07/01/07 | 4,815,618  |
| 1,950 | Regal Cinemas, Inc., Term Loan.....                          | B1  | BB- | 12/31/07 | 1,967,306  |
| 6,500 | Six Flags Theme Parks, Inc., Term Loan.....                  | Ba2 | BB- | 06/30/09 | 6,523,023  |
| 3,257 | True Temper, Inc., Term Loan.....                            | B1  | BB- | 09/30/05 | 3,240,246  |
| 6,827 | WFI Group, Inc., Term Loan.....                              | NR  | NR  | 07/14/04 | 6,845,870  |
| 4,873 | Worldwide Sports & Recreation, Inc., Term Loan.....          | NR  | NR  | 12/31/06 | 4,677,061  |
|       |  |     |     |          | -----      |
|       |  |     |     |          | 86,146,103 |
|       |  |     |     |          | -----      |
| 3,981 | FARMING & AGRICULTURE 0.3%<br>The Scotts Co., Term Loan..... | Ba3 | BB  | 12/31/07 | 4,005,151  |
|       |  |     |     |          | -----      |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER  | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE        |
|------------------------------|---|-----------------------|-----|----------------------|--------------|
|                              |   | MOODY'S               | S&P |                      |              |
| \$ 3,500                     | FINANCE 3.5%<br>Alliance Data Systems, Inc., Term Loan..... | NR                    | NR  | 07/25/05             | \$ 3,469,375 |
| 20,000                       | Comdisco, Inc., Term Loan (a) (c) (g).....                  | NR                    | NR  | 06/30/02             | 16,512,500   |
| 9,280                        | Corrections Corp. of America, Term Loan.....                | B1                    | B+  | 05/31/06 to 03/31/08 | 9,351,536    |
| 4,818                        | Outsourcing Solutions, Term Loan.....                       | B2                    | NR  | 06/10/06             | 4,703,084    |
| 7,146                        | Rent-A-Center, Inc., Term Loan.....                         | Ba2                   | BB- | 01/31/06 to 12/31/07 | 7,153,248    |
| 3,990                        | Rent-Way, Inc., Term Loan.....                              | NR                    | CCC | 10/10/06             | 3,889,887    |
| 4,912                        | Risk Management Assurance Co., Term Loan.....               | NR                    | NR  | 12/21/06             | 4,893,663    |
|                              |   |                       |     |                      | -----        |
|                              |   |                       |     |                      | 49,973,293   |
|                              |   |                       |     |                      | -----        |
| 4,575                        | GROCERY 0.3%<br>Fleming Cos., Inc., Term Loan.....          | Ba2                   | BB+ | 06/19/08             | 4,576,908    |
|                              |   |                       |     |                      | -----        |

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|        |   |     |     |                      |  |            |
|--------|---|-----|-----|----------------------|--|------------|
| 32,500 | HEALTHCARE 7.6%   |     |     |                      |  |            |
|        | Community Health Systems, Inc., Term Loan.....          | NR  | NR  | 07/16/10             |  | 32,666,562 |
| 10,631 | FHC Health Systems, Inc., Term Loan.....                | NR  | NR  | 04/30/03 to 04/30/06 |  | 10,451,222 |
| 7,944  | Genesis Health Ventures, Inc., Term Loan.....           | Ba3 | BB- | 03/31/07 to 04/02/07 |  | 7,978,613  |
| 8,421  | InteliStaf Group, Inc., Term Loan.....                  | NR  | NR  | 10/31/05 to 10/31/07 |  | 8,397,760  |
| 22,464 | Kindred Healthcare, Inc., Term Loan.....                | NR  | NR  | 04/13/08             |  | 22,447,570 |
| 10,935 | Magellan Health Services, Inc., Term Loan.....          | B2  | B   | 02/12/05 to 02/12/06 |  | 10,765,246 |
| 4,000  | Medical Staffing Network Holdings, Inc., Term Loan..... | NR  | NR  | 10/26/06             |  | 3,982,500  |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL AMOUNT (000) | BORROWER   | BANK LOAN RATINGS+ |     | STATED MATURITY*     | VALUE        |
|------------------------|--|--------------------|-----|----------------------|--------------|
|                        |  | MOODY'S            | S&P |                      |              |
|                        | HEALTHCARE (CONTINUED)   |                    |     |                      |              |
| \$ 8,000               | Team Health, Inc., Term Loan.....                                      | Ba3                | B+  | 10/31/08             | \$ 8,045,000 |
| 4,574                  | Triad Hospitals, Inc., Term Loan.....                                  | Ba3                | B+  | 09/30/08             | 4,616,437    |
|                        |  |                    |     |                      | -----        |
|                        |  |                    |     |                      | 109,350,910  |
|                        |  |                    |     |                      | -----        |
|                        | HEALTHCARE & BEAUTY 1.1%   |                    |     |                      |              |
| 7,547                  | Mary Kay, Inc., Term Loan.....   | Ba3                | BB- | 10/03/07             | 7,567,682    |
| 8,000                  | Revlon Consumer Products Corp., Term Loan.....                         | B3                 | B   | 05/30/05             | 7,921,664    |
|                        |  |                    |     |                      | -----        |
|                        |  |                    |     |                      | 15,489,346   |
|                        |  |                    |     |                      | -----        |
|                        | HOME & OFFICE FURNISHINGS, HOUSEWARES & DURABLE CONSUMER PRODUCTS 1.5% |                    |     |                      |              |
| 2,837                  | Brown Jordan International, Inc., Term Loan.....                       | Ba3                | B   | 03/31/06             | 2,758,889    |
| 1,027                  | Foamex LP, Term Loan....   | B2                 | BB- | 06/30/05 to 06/30/06 | 1,027,696    |
| 1,958                  | Formica Corp., Term Loan (c).....                                      | NR                 | NR  | 04/30/06             | 1,795,142    |
| 8,556                  | Holmes Products Corp., Term Loan.....                                  | B2                 | B   | 02/05/07             | 7,871,537    |

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|        |  |     |    |                      |            |
|--------|--|-----|----|----------------------|------------|
| 1,422  | Imperial Home Decor Group, Inc., Term Loan (d).....      | NR  | NR | 04/04/06             | 1,329,839  |
| 3,517  | Sleepmaster, LLC, Term Loan (c).....                     | NR  | NR | 12/31/06             | 3,393,466  |
| 1,477  | Targus Group International, Inc., Term Loan.....         | NR  | NR | 12/19/06             | 1,351,861  |
| 2,354  | World Kitchen, Inc., Revolving Credit Agreement (c)..... | NR  | NR | 04/08/05             | 1,706,995  |
|        |  |     |    |                      | -----      |
|        |  |     |    |                      | 21,235,425 |
|        |  |     |    |                      | -----      |
|        | HOTELS, MOTELS, INNS & GAMING 6.7%                       |     |    |                      |            |
| 26,570 | Aladdin Gaming, LLC, Term Loan (a) (c).....              | NR  | NR | 02/25/05 to 02/26/08 | 22,251,077 |
| 2,084  | Ameristar Casinos, Inc., Term Loan.....                  | Ba3 | B+ | 12/20/06             | 2,097,903  |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL AMOUNT (000) | BORROWER                                       | BANK LOAN RATINGS+ |      | STATED MATURITY*     | VALUE        |
|------------------------|--|--------------------|------|----------------------|--------------|
|                        |  | MOODY'S            | S&P  |                      |              |
|                        | HOTELS, MOTELS, INNS & GAMING (CONTINUED)      |                    |      |                      |              |
| \$ 4,950               | Argosy Gaming Co., Term Loan.....              | Ba2                | BB   | 07/31/08             | \$ 4,968,562 |
| 9,546                  | Extended Stay America, Inc., Term Loan.....    | Ba3                | BB-  | 01/15/08             | 9,596,513    |
| 2,993                  | Isle of Capri Casinos, Inc., Term Loan.....    | Ba2                | BB-  | 04/26/08             | 3,009,868    |
| 1,750                  | Las Vegas Sands, Inc., Term Loan.....          | NR                 | B+   | 06/04/08             | 1,770,417    |
| 3,000                  | Mandalay Resort Group, Term Loan.....          | NR                 | NR   | 08/22/06             | 3,010,314    |
| 6,939                  | Park Place Entertainment Corp., Term Loan..... | NR                 | BBB- | 12/31/03             | 6,813,207    |
| 13,696                 | Scientific Games Corp., Term Loan.....         | Ba3                | B+   | 09/30/07             | 13,769,019   |
| 34,620                 | Wyndham International, Inc., Term Loan.....    | NR                 | B-   | 06/30/04 to 06/30/06 | 29,235,850   |
|                        |  |                    |      |                      | -----        |
|                        |  |                    |      |                      | 96,522,730   |
|                        |  |                    |      |                      | -----        |
|                        | INSURANCE 1.8%                                 |                    |      |                      |              |
| 10,000                 | Alea Group Holdings, Term Loan.....            | NR                 | BBB- | 03/31/07             | 9,975,000    |
| 3,083                  | Hilb, Rogal & Hamilton Co., Term Loan.....     | Ba3                | BB-  | 06/30/07             | 3,091,042    |

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|        |   |     |     |                      |            |
|--------|---|-----|-----|----------------------|------------|
| 12,051 | White Mountains<br>Insurance Group, Ltd.,<br>Term Loan..... | NR  | NR  | 03/16/06 to 03/31/07 | 12,085,713 |
|        |   |     |     |                      | -----      |
|        |   |     |     |                      | 25,151,755 |
|        |   |     |     |                      | -----      |
|        | MACHINERY 4.1%  |     |     |                      |            |
| 7,591  | Alliance Laundry<br>Systems, LLC, Term<br>Loan.....         | B1  | B   | 06/30/05             | 7,581,205  |
| 21,849 | Ashtead Group, PLC, Term<br>Loan.....                       | NR  | NR  | 06/01/07             | 21,138,874 |
| 5,867  | Dresser Industries,<br>Inc., Term Loan.....                 | Ba3 | BB- | 04/10/09             | 5,902,552  |
| 10,415 | Flowserve Corp., Term<br>Loan.....                          | Ba3 | BB- | 06/30/06 to 06/30/09 | 10,370,036 |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER   | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE        |
|------------------------------|--|-----------------------|-----|----------------------|--------------|
|                              |  | MOODY'S               | S&P |                      |              |
|                              | MACHINERY (CONTINUED)                                      |                       |     |                      |              |
| \$ 2,500                     | Terex Corp., Term Loan..                                   | Ba3                   | BB- | 06/29/09             | \$ 2,481,250 |
| 8,888                        | United Rentals (North<br>America), Inc., Term<br>Loan..... | Ba3                   | BB+ | 08/31/07             | 8,923,610    |
| 2,382                        | Weigh Tronix, LLC, Term<br>Loan.....                       | NR                    | D   | 06/30/07             | 1,726,650    |
|                              |  |                       |     |                      | -----        |
|                              |  |                       |     |                      | 58,124,177   |
|                              |  |                       |     |                      | -----        |
|                              | MEDICAL PRODUCTS & SERVICES 7.2%                           |                       |     |                      |              |
| 17,075                       | Alliance Imaging, Inc.,<br>Term Loan.....                  | B1                    | B+  | 06/10/08             | 17,110,193   |
| 5,909                        | American Home Patient,<br>Term Loan (c).....               | NR                    | NR  | 12/31/02             | 4,520,227    |
| 3,188                        | Conmed Corp., Term<br>Loan.....                            | Ba3                   | BB- | 12/30/04             | 3,166,666    |
| 14,927                       | Dade Behring, Inc., Term<br>Loan.....                      | NR                    | NR  | 06/30/05 to 06/30/07 | 15,224,968   |
| 8,922                        | Dade Behring, Inc.,<br>Revolving Credit<br>Agreement.....  | NR                    | NR  | 06/30/05             | 9,100,525    |
| 20,820                       | DaVita, Inc., Term<br>Loan.....                            | Ba3                   | BB- | 03/31/09             | 20,898,156   |
| 5,957                        | Insight Health, Term<br>Loan.....                          | NR                    | B+  | 10/17/08             | 5,990,998    |
| 14,225                       | Kinetics Concepts, Inc.,<br>Term Loan.....                 | Ba3                   | B   | 12/31/04 to 03/31/06 | 14,224,520   |

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|        |  |      |      |                      |             |
|--------|--|------|------|----------------------|-------------|
| 5,175  | National Medical Care, Inc., Term Loan.....          | Ba1  | BB   | 09/30/03             | 5,081,203   |
| 4,887  | National Nephrology Associates, Inc., Term Loan..... | B1   | B+   | 12/31/05             | 4,850,844   |
| 2,244  | Rotech Healthcare, Inc., Term Loan.....              | Ba2  | BB   | 03/31/08             | 2,246,245   |
|        |  |      |      |                      | -----       |
|        |  |      |      |                      | 102,414,545 |
|        |  |      |      |                      | -----       |
|        | MINING, STEEL, IRON & NON-PRECIOUS METALS            |      | 1.6% |                      |             |
| 3,424  | CII Carbon, LLC, Term Loan.....                      | NR   | NR   | 06/25/08             | 2,739,297   |
| 28,870 | Ispat Inland, Term Loan.....                         | Caa2 | B-   | 07/16/05 to 07/16/06 | 20,353,680  |
|        |  |      |      |                      | -----       |
|        |  |      |      |                      | 23,092,977  |
|        |  |      |      |                      | -----       |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL AMOUNT (000) | BORROWER  | BANK LOAN RATINGS+ |      | STATED MATURITY* | VALUE        |
|------------------------|---|--------------------|------|------------------|--------------|
|                        |   | MOODY'S            | S&P  |                  |              |
|                        | NATURAL RESOURCES                                       |                    | 1.8% |                  |              |
| \$ 5,000               | Arch Western Resources, LLC, Term Loan.....             | Ba1                | BB+  | 04/18/08         | \$ 5,029,690 |
| 15,000                 | Ocean Rig ASA-- (Norway), Term Loan.....                | B3                 | NR   | 06/01/08         | 13,125,000   |
| 7,448                  | Tesoro Petroleum Corp., Term Loan.....                  | Ba3                | BB+  | 12/31/07         | 7,332,497    |
| 780                    | U.S. Synthetic Corp., Term Loan.....                    | NR                 | NR   | 05/31/05         | 733,067      |
|                        |   |                    |      |                  | -----        |
|                        |   |                    |      |                  | 26,220,254   |
|                        |   |                    |      |                  | -----        |
|                        | NON-DURABLE CONSUMER PRODUCTS                           |                    | 2.2% |                  |              |
| 8,706                  | American Marketing Industries, Inc., Term Loan (a)..... | NR                 | NR   | 04/01/04         | 4,353,144    |
| 799                    | American Safety Razor Co., Term Loan.....               | B1                 | B-   | 04/30/07         | 671,487      |
| 4,947                  | Arena Brands, Inc., Term Loan.....                      | NR                 | NR   | 06/02/03         | 4,681,167    |
| 7,703                  | Boyds Collection, Ltd., Term Loan.....                  | Ba3                | B+   | 04/21/05         | 7,620,898    |
| 1,500                  | Church & Dwight Co., Inc., Term Loan.....               | Ba2                | BB   | 09/30/07         | 1,512,723    |
| 4,573                  | Danka Business Systems, PLC, Term Loan.....             | NR                 | NR   | 03/31/04         | 4,537,439    |

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|       |  |     |     |          |                              |
|-------|--|-----|-----|----------|------------------------------|
| 2,500 | Danka Business Systems,<br>PLC, Revolving Credit<br>Agreement..... | NR  | NR  | 03/31/04 | 2,452,083                    |
| 2,667 | JohnsonDiversey, Inc.,<br>Term Loan.....                           | Ba3 | BB- | 11/03/09 | 2,688,811                    |
| 3,150 | Playtex Products, Inc.,<br>Term Loan.....                          | Ba3 | BB- | 05/31/09 | 3,157,875                    |
|       |  |     |     |          | -----<br>31,675,627<br>----- |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER  | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE                        |
|------------------------------|---|-----------------------|-----|----------------------|------------------------------|
|                              |   | MOODY'S               | S&P |                      |                              |
|                              | PAPER & FOREST PRODUCTS                                   | 0.4%                  |     |                      |                              |
| \$ 2,465                     | Bear Island Paper Co.,<br>LLC, Term Loan.....             | B3                    | B-  | 12/31/05             | \$ 2,428,487                 |
| 2,908                        | Port Townsend Paper<br>Corp., Term Loan.....              | NR                    | NR  | 03/16/05 to 03/16/07 | 2,833,082                    |
|                              |   |                       |     |                      | -----<br>5,261,569<br>-----  |
|                              | PERSONAL & MISCELLANEOUS SERVICES                         | 2.9%                  |     |                      |                              |
| 7,880                        | Coinmach Laundry Corp.,<br>Term Loan.....                 | B1                    | BB- | 07/25/09             | 7,938,115                    |
| 11,627                       | Encompass Service Corp.,<br>Term Loan.....                | B2                    | B   | 05/10/07             | 7,266,719                    |
| 1,600                        | Iron Mountain, Inc.,<br>Term Loan.....                    | Ba3                   | BB  | 02/15/08             | 1,611,600                    |
| 5,000                        | Katun Corp., Term Loan..                                  | NR                    | B+  | 06/30/09             | 4,984,375                    |
| 3,400                        | Stewart Enterprises,<br>Inc., Term Loan.....              | Ba3                   | BB  | 06/29/06             | 3,423,690                    |
| 1,869                        | TeleSpectrum Worldwide,<br>Inc., Term Loan (d)....        | NR                    | NR  | 05/31/05             | 1,219,255                    |
| 8,873                        | The Relizon Co., Term<br>Loan.....                        | NR                    | NR  | 09/30/06 to 12/31/07 | 8,713,814                    |
| 1,733                        | Vicar Operating, Inc.,<br>Term Loan.....                  | B1                    | B+  | 09/20/08             | 1,741,321                    |
| 4,975                        | Weight Watchers<br>International, Inc.,<br>Term Loan..... | Ba1                   | BB- | 12/31/07             | 5,012,313                    |
|                              |   |                       |     |                      | -----<br>41,911,202<br>----- |
|                              | PHARMACEUTICALS   | 3.1%                  |     |                      |                              |
| 1,840                        | aaiPharma, Inc., Term<br>Loan.....                        | NR                    | BB- | 03/28/07             | 1,838,850                    |
| 1,663                        | Accredo Health, Inc.,                                     |                       |     |                      |                              |



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|       |  |     |     |                      |           |
|-------|--|-----|-----|----------------------|-----------|
|       | Term Loan.....                           | Ba2 | BB  | 03/31/09             | 1,670,812 |
| 2,375 | Alpharma Operating Corp., Term Loan..... | B1  | BB- | 10/05/07 to 10/05/08 | 2,334,411 |
| 9,816 | Caremark Rx, Inc., Term Loan.....        | Ba2 | BB+ | 03/31/06             | 9,856,736 |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL AMOUNT (000) | BORROWER  | BANK LOAN RATINGS+ |      | STATED MATURITY*     | VALUE        |
|------------------------|---|--------------------|------|----------------------|--------------|
|                        |   | MOODY'S            | S&P  |                      |              |
|                        | PHARMACEUTICALS (CONTINUED)                               |                    |      |                      |              |
| \$ 5,000               | Express Scripts, Inc., Term Loan.....                     | Ba1                | BBB- | 03/31/08             | \$ 5,013,020 |
| 5,475                  | MedPointe, Inc., Term Loan.....                           | B1                 | B+   | 09/30/07 to 09/30/08 | 5,495,459    |
| 19,698                 | NCS Healthcare, Inc., Revolving Credit Agreement (g)..... | NR                 | NR   | 06/30/02             | 18,811,839   |
|                        |   |                    |      |                      | -----        |
|                        |   |                    |      |                      | 45,021,127   |
|                        |   |                    |      |                      | -----        |
|                        | PRINTING & PUBLISHING 7.6%                                |                    |      |                      |              |
| 4,122                  | 21st Century Newspapers, Term Loan.....                   | NR                 | NR   | 09/15/05             | 3,937,428    |
| 1,990                  | Adams Outdoor Advertising, LP, Term Loan.....             | B1                 | B+   | 02/08/08             | 2,000,364    |
| 6,240                  | Advanstar Communications, Inc., Term Loan.....            | B2                 | B    | 10/11/07             | 6,108,960    |
| 3,941                  | American Media Operations, Inc., Term Loan.....           | Ba3                | NR   | 04/01/07             | 3,977,544    |
| 11,241                 | American Reprographics Co., Term Loan.....                | NR                 | NR   | 04/10/08             | 11,185,280   |
| 10,414                 | CommerceConnect Media, Inc., Term Loan.....               | NR                 | NR   | 12/31/07             | 9,997,155    |
| 2,441                  | Daily News, LP, Term Loan.....                            | NR                 | NR   | 03/19/08             | 2,343,603    |
| 7,133                  | Lamar Media Corp., Term Loan.....                         | Ba2                | BB-  | 03/01/06 to 02/01/07 | 7,110,088    |
| 4,851                  | Liberty Group Operating, Inc., Term Loan.....             | B1                 | B    | 03/31/07             | 4,850,505    |
| 15,000                 | Morris Communications Corp., Term Loan.....               | NR                 | NR   | 09/30/09             | 15,044,535   |
| 3,750                  | Network Communications, Inc., Term Loan.....              | NR                 | NR   | 06/27/08             | 3,759,375    |

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See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000)      | BORROWER   | BANK LOAN<br>RATINGS+ |      | STATED MATURITY*     | VALUE        |
|-----------------------------------|--|-----------------------|------|----------------------|--------------|
|                                   |  | MOODY'S               | S&P  |                      |              |
| PRINTING & PUBLISHING (CONTINUED) |  |                       |      |                      |              |
| \$ 2,977                          | Payment Processing<br>Solutions, Inc., Term<br>Loan..... | NR                    | NR   | 06/30/05             | \$ 2,954,419 |
| 7,452                             | PRIMEDIA, Inc., Term<br>Loan.....                        | NR                    | B    | 06/30/09             | 5,918,500    |
| 12,093                            | Reader's Digest<br>Association, Inc., Term<br>Loan.....  | Baa3                  | BB+  | 05/21/07 to 05/20/08 | 12,103,660   |
| 6,239                             | Trader.com, Term Loan...                                 | NR                    | NR   | 12/31/06 to 12/31/07 | 6,238,842    |
| 7,960                             | Vertis, Inc., Term<br>Loan.....                          | B1                    | B+   | 12/07/05             | 7,716,390    |
| 1,909                             | Vutek, Inc., Term<br>Loan.....                           | B1                    | NR   | 07/31/07             | 1,869,373    |
| 1,602                             | Ziff-Davis Media, Inc.,<br>Term Loan.....                | B3                    | CCC- | 03/31/07             | 1,374,677    |
|                                   |  |                       |      |                      | -----        |
|                                   |  |                       |      |                      | 108,490,698  |
|                                   |  |                       |      |                      | -----        |
| RESTAURANTS & FOOD SERVICE 0.7%   |  |                       |      |                      |              |
| 1,500                             | AFC Enterprises, Inc.,<br>Term Loan.....                 | Ba2                   | BB   | 05/23/09             | 1,507,500    |
| 1,845                             | Carvel Corp., Term<br>Loan.....                          | NR                    | NR   | 12/31/06             | 1,826,550    |
| 2,859                             | Papa Ginos, Inc., Term<br>Loan.....                      | NR                    | NR   | 08/31/07             | 2,837,647    |
| 4,644                             | S.C. International<br>Services, Inc., Term<br>Loan.....  | Ba1                   | NR   | 03/01/07             | 4,399,773    |
|                                   |  |                       |      |                      | -----        |
|                                   |  |                       |      |                      | 10,571,470   |
|                                   |  |                       |      |                      | -----        |
| RETAIL--OIL & GAS 1.1%            |  |                       |      |                      |              |
| 7,285                             | Barjan Products, LLC,<br>Term Loan.....                  | NR                    | NR   | 05/31/06             | 6,956,883    |
| 9,247                             | The Pantry, Inc., Term<br>Loan.....                      | B1                    | B+   | 01/31/06 to 07/31/06 | 9,102,220    |
|                                   |  |                       |      |                      | -----        |
|                                   |  |                       |      |                      | 16,059,103   |
|                                   |  |                       |      |                      | -----        |
| RETAIL--SPECIALTY 0.7%            |  |                       |      |                      |              |
| 3,242                             | DRL Aquisition, Inc.,<br>Term Loan.....                  | NR                    | NR   | 04/30/09             | 3,231,744    |
| 6,129                             | Home Interiors & Gifts,<br>Inc., Term Loan.....          | B3                    | B    | 12/31/06             | 5,883,564    |
| 1,581                             | Josten's, Inc., Term                                     |                       |      |                      |              |

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|           |    |     |          |            |
|-----------|----|-----|----------|------------|
| Loan..... | B1 | BB- | 05/31/06 | 1,555,832  |
|           |    |     |          | -----      |
|           |    |     |          | 10,671,140 |
|           |    |     |          | -----      |

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER   | BANK LOAN<br>RATINGS+ |      | STATED MATURITY*     | VALUE        |
|------------------------------|--|-----------------------|------|----------------------|--------------|
|                              |  | MOODY'S               | S&P  |                      |              |
|                              | RETAIL--STORES 2.8%                              |                       |      |                      |              |
| \$ 1,303                     | Duane Reade, Inc., Term                          |                       |      |                      |              |
|                              | Loan.....  | Ba2                   | BB-  | 02/15/07             | \$ 1,309,755 |
| 37,785                       | Rite Aid Corp., Term                             |                       |      |                      |              |
|                              | Loan.....  | B2                    | BB-  | 06/27/05             | 37,280,723   |
| 1,906                        | Shoppers Drug Mart                               |                       |      |                      |              |
|                              | Corp., Term Loan.....                            | Ba1                   | BBB+ | 02/04/09             | 1,913,029    |
|                              |  |                       |      |                      | -----        |
|                              |  |                       |      |                      | 40,503,507   |
|                              |  |                       |      |                      | -----        |
|                              | TECHNOLOGY 0.5%                                  |                       |      |                      |              |
| 3,120                        | Advanced Glassfiber                              |                       |      |                      |              |
|                              | Yarns, LLC, Term Loan...                         | Caa3                  | CC   | 09/30/05             | 3,111,949    |
| 4,500                        | The Titan Corp., Term                            |                       |      |                      |              |
|                              | Loan.....  | Ba3                   | BB   | 06/30/09             | 4,506,750    |
|                              |  |                       |      |                      | -----        |
|                              |  |                       |      |                      | 7,618,699    |
|                              |  |                       |      |                      | -----        |
|                              | TELECOMMUNICATIONS--LOCAL EXCHANGE CARRIERS 0.7% |                       |      |                      |              |
| 8,372                        | Broadwing, Inc., Term                            |                       |      |                      |              |
|                              | Loan.....  | Ba3                   | BB   | 11/09/04 to 06/28/07 | 7,159,507    |
| 1,673                        | McLeodUSA, Inc., Term                            |                       |      |                      |              |
|                              | Loan.....  | Caa2                  | NR   | 05/30/08             | 832,288      |
| 7,381                        | Orius Corp., Term Loan..                         | NR                    | NR   | 12/15/06 to 12/15/07 | 1,199,404    |
| 7,500                        | WCI Capital Corp., Term                          |                       |      |                      |              |
|                              | Loan (a) (c).....                                | NR                    | NR   | 09/30/07             | 156,248      |
| 2,314                        | WCI Capital Corp.,                               |                       |      |                      |              |
|                              | Revolving Credit                                 |                       |      |                      |              |
|                              | Agreement (a) (c).....                           | NR                    | NR   | 12/31/02             | 289,220      |
|                              |  |                       |      |                      | -----        |
|                              |  |                       |      |                      | 9,636,667    |
|                              |  |                       |      |                      | -----        |
|                              | TELECOMMUNICATIONS--LONG DISTANCE 0.2%           |                       |      |                      |              |
| 6,272                        | Global Crossing                                  |                       |      |                      |              |
|                              | Holdings, Ltd., Term                             |                       |      |                      |              |
|                              | Loan (a) (c).....                                | NR                    | NR   | 06/30/06             | 1,011,309    |
| 22,651                       | Pacific Crossing, Ltd.,                          |                       |      |                      |              |
|                              | Term Loan (a) (c).....                           | NR                    | NR   | 07/28/06             | 2,434,949    |
|                              |  |                       |      |                      | -----        |
|                              |  |                       |      |                      | 3,446,258    |

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|        |  | TELECOMMUNICATIONS--WIRELESS 4.3% |      |                      |  |           |
|--------|--|-----------------------------------|------|----------------------|--|-----------|
| 2,909  | American Cellular Corp.,<br>Term Loan..... | B3                                | CCC- | 03/31/08 to 03/31/09 |  | 1,965,096 |
| 4,000  | American Tower Corp.,<br>Term Loan.....    | B2                                | BB-  | 12/31/07             |  | 3,398,752 |
| 20,053 | BCP SP Ltd., Term Loan<br>(a) (g).....     | NR                                | NR   | 03/31/02 to 03/31/05 |  | 8,021,314 |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000)             | BORROWER  | BANK LOAN<br>RATINGS+      |     | STATED MATURITY*     | VALUE        |
|--|---|----------------------------|-----|----------------------|--------------|
|  |   | MOODY'S                    | S&P |                      |              |
| TELECOMMUNICATIONS--WIRELESS (CONTINUED) |   |                            |     |                      |              |
| \$ 2,500                                 | Chicago 20MHz, Term<br>Loan.....                            | NR                         | NR  | 10/31/07             | \$ 2,443,075 |
| 8,000                                    | Cricket Communications,<br>Inc., Term Loan.....             | NR                         | NR  | 06/30/07             | 1,980,000    |
| 4,701                                    | Microcell Solutions,<br>Inc., Term Loan.....                | NR                         | NR  | 03/01/06             | 2,056,680    |
| 24,383                                   | Nextel Finance Co., Term<br>Loan (j).....                   | Ba3                        | BB- | 12/31/07 to 12/31/08 | 19,912,989   |
| 3,333                                    | Spectrasite<br>Communications, Inc.,<br>Term Loan.....      | B3                         | CC  | 12/31/07             | 2,861,363    |
| 3,957                                    | Sygnel Wireless, Inc.,<br>Term Loan.....                    | NR                         | NR  | 12/23/06 to 12/23/07 | 3,531,278    |
| 10,647                                   | Triton PCS, Inc., Term<br>Loan.....                         | Ba3                        | BB- | 05/04/07             | 10,087,559   |
| 7,333                                    | Western Wireless Corp.,<br>Term Loan.....                   | B1                         | B   | 09/30/08             | 4,748,333    |
|  |   |                            |     |                      | 61,006,439   |
| -----                                    |   |                            |     |                      |              |
|  |   | TEXTILES & LEATHER 1.7%    |     |                      |              |
| 5,338                                    | Galey & Lord, Inc., Term<br>Loan (c).....                   | NR                         | NR  | 04/02/05 to 04/01/06 | 4,145,931    |
| 5,633                                    | Malden Mills Industries,<br>Inc., Term Loan (a)<br>(c)..... | NR                         | NR  | 10/28/06             | 1,364,765    |
| 18,409                                   | Norcross Safety<br>Products, LLC, Term<br>Loan.....         | NR                         | NR  | 09/30/04             | 18,362,592   |
|  |   |                            |     |                      | 23,873,288   |
| -----                                    |   |                            |     |                      |              |
|  |   | TRANSPORTATION--CARGO 1.6% |     |                      |              |
| 4,939                                    | American Commercial<br>Lines, LLC, Term Loan...             | B3                         | B   | 06/30/06 to 06/30/07 | 4,674,643    |

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|       |  |     |     |                      |           |
|-------|--|-----|-----|----------------------|-----------|
| 4,896 | Atlas Freighter Leasing,<br>Inc., Term Loan.....             | NR  | NR  | 04/25/05 to 04/25/06 | 4,442,824 |
| 7,418 | Evergreen International<br>Aviation, Inc., Term<br>Loan..... | NR  | NR  | 05/07/03 to 05/07/04 | 6,935,727 |
| 392   | Kansas City Southern<br>Railway Co., Term Loan..             | Ba1 | BB+ | 06/12/08             | 393,779   |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| PRINCIPAL<br>AMOUNT<br>(000) | BORROWER   | BANK LOAN<br>RATINGS+ |     | STATED MATURITY*     | VALUE                        |
|------------------------------|--|-----------------------|-----|----------------------|------------------------------|
|                              |  | MOODY'S               | S&P |                      |                              |
|                              | TRANSPORTATION--CARGO (CONTINUED)                          |                       |     |                      |                              |
| \$ 5,000                     | RailAmerica, Inc., Term<br>Loan.....                       | Ba3                   | BB  | 05/23/09             | \$ 5,023,750                 |
| 1,920                        | Roadway Corp., Term<br>Loan.....                           | Baa3                  | BBB | 10/10/06             | 1,912,800                    |
|                              |  |                       |     |                      | -----<br>23,383,523<br>----- |
|                              | TRANSPORTATION--PERSONAL 0.3%                              |                       |     |                      |                              |
| 4,827                        | Motor Coach Industries,<br>Inc., Term Loan.....            | B2                    | B   | 06/16/05             | 4,350,030                    |
|                              | TRANSPORTATION--RAIL MANUFACTURING 0.3%                    |                       |     |                      |                              |
| 3,399                        | Helm, Inc., Term Loan...                                   | NR                    | NR  | 10/18/06             | 3,084,191                    |
| 3,054                        | RailWorks Corp., Term<br>Loan (a) (c).....                 | NR                    | NR  | 09/30/06             | 992,589                      |
|                              |  |                       |     |                      | -----<br>4,076,780<br>-----  |
|                              | UTILITIES 1.4%   |                       |     |                      |                              |
| 3,000                        | Michigan Electric<br>Transmission Co., Term<br>Loan.....   | Baa2                  | NR  | 05/01/07             | 3,011,250                    |
| 1,824                        | Pike Electric, Inc.,<br>Term Loan.....                     | NR                    | NR  | 04/18/10             | 1,839,106                    |
| 4,667                        | Southern California<br>Edison Co., Term Loan...            | Ba2                   | NR  | 03/01/03 to 03/01/05 | 4,670,917                    |
| 978                          | TNP Enterprises, Inc.,<br>Term Loan.....                   | Ba2                   | BB+ | 03/30/06             | 978,417                      |
| 9,000                        | Westar Energy, Inc.,<br>Term Loan.....                     | NR                    | NR  | 06/05/05             | 8,915,625                    |
| 335                          | Westar Energy, Inc.,<br>Revolving Credit<br>Agreement..... | NR                    | NR  | 06/06/05             | 325,788                      |
|                              |  |                       |     |                      | -----<br>19,741,103<br>----- |

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TOTAL VARIABLE RATE\*\* SENIOR LOAN INTERESTS 123.1%..... 1,760,961,383

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| BORROWER   | VALUE        |
|--|--------------|
| NOTES 2.3%   |              |
| Alderwoods Group, Inc. (\$3,514,000 par, 11.00% to 12.25% coupon, maturing 01/02/07 to 01/02/09).....        | \$ 3,517,632 |
| Genesis Health Ventures, Inc. (\$6,280,170 par, 7.0375% coupon, maturing 04/02/07) (h).....                  | 6,280,170    |
| PCI Chemicals Canada, Inc. (5,128,666 par, 10.00% coupon, maturing 12/31/08).....                            | 3,615,710    |
| Pioneer Cos., Inc. (\$1,709,555 par, 5.355% coupon, maturing 12/31/06) (h).....                              | 1,151,813    |
| Premcor Refining Group, Inc. (\$3,000,000 par, 4.59125% coupon, maturing 08/23/03) (h).....                  | 2,992,500    |
| Rowe International, Inc. (\$185,317 par, 15.00% coupon, maturing 12/31/00) (d) (g).....                      | 0            |
| Satelites Mexicanos (\$17,091,000 par, 9.06% coupon, maturing 06/30/04), 144A Private Placement (b) (h)..... | 14,975,989   |
|  | -----        |
| TOTAL NOTES.....   | 32,533,814   |
|  | -----        |
| EQUITIES 3.5%  |              |
| Alderwoods Group (235,977 common shares) (e).....  | 1,661,278    |
| Audio Visual Services Corp. (70,205 common shares) (e) (f).....  | 831,227      |
| Breed Technologies, Inc. (416,538 common shares) (e) (f)....   | 0            |
| Genesis Health Ventures, Inc. (10,483 preferred shares) (e) (f).....   | 1,203,763    |
| Genesis Health Ventures, Inc. (932,290 common shares) (e)...   | 15,019,192   |
| Imperial Home Decor Group, Inc. (512,023 common shares) (d) (e) (f).....                                     | 0            |
| Imperial Home Decor Realty, Inc. (512,023 common shares) (d) (e) (f).....                                    | 0            |
| Kindred Healthcare, Inc. (499,875 common shares) (e).....  | 16,890,776   |
| Pioneer Corp of America (331,654 common shares) (e) (f)....  | 596,977      |
| Rotech Healthcare, Inc. (484,850 common shares) (e) (f)....  | 9,454,575    |
| Rotech Medical Corp. (48,485 common shares) (e).....   | 0            |
| Rowe International, Inc. (87,636 common shares) (d) (e) (f).....   | 0            |
| Safelite Glass Corp. (421,447 common shares) (e) (f).....  | 3,847,811    |
| Safelite Realty (28,448 common shares) (e) (f).....  | 0            |
| Telespectrum Worldwide, Inc. (11,618,775 common shares) (d) (e) (f).....                                     | 0            |

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|  |               |
|--|---------------|
| Telespectrum Worldwide, Inc. (8,307 preferred shares) (d)    |               |
| (e) (f).....   | 0             |
| Tembec, Inc. (78,468 common shares) (e).....                 | 641,868       |
| West American Rubber Co., LLC (5.04% Ownership Interest) (e) |               |
| (f).....   | 0             |
|  | -----         |
| TOTAL EQUITIES.....  | 50,147,467    |
|  | -----         |
| TOTAL LONG-TERM INVESTMENTS 128.9%                           |               |
| (Cost \$1,990,299,995).....                                  | 1,843,642,664 |
|  | -----         |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

July 31, 2002

| BORROWER   | VALUE           |
|--|-----------------|
| SHORT TERM INVESTMENTS 0.8%  |                 |
| REPURCHASE AGREEMENT 0.2%  |                 |
| State Street Bank & Trust Co. (\$2,500,000 par collateralized<br>by U.S. Government obligations in a pooled cash account,<br>dated 07/31/02, to be sold on 08/01/02 at \$2,500,122)..... | \$ 2,500,000    |
|  | -----           |
| TIME DEPOSIT 0.6%  |                 |
| State Street Bank & Trust Corp. (\$8,366,043 par, 1.25%<br>coupon, dated 07/31/02, to be sold on 08/01/02 at<br>\$8,366,333).....  | 8,366,043       |
|  | -----           |
| TOTAL SHORT-TERM INVESTMENTS   |                 |
| (Cost \$10,866,043).....   | 10,866,043      |
|  | -----           |
| TOTAL INVESTMENTS 129.7%   |                 |
| (Cost \$2,001,166,038).....  | 1,854,508,707   |
| BORROWINGS (25.9%).....  | (370,159,000)   |
| LIABILITIES IN EXCESS OF OTHER ASSETS (3.8%).....  | (54,389,240)    |
|  | -----           |
| NET ASSETS 100.0%.....   | \$1,429,960,467 |
|  | =====           |

NR--Not rated

+ Bank Loans rated below Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade. (Bank loan ratings are unaudited.)

(1) Industry percentages are calculated as a percentage of net assets.

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- (a) This Senior Loan interest is non-income producing.
  - (b) 144A Securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally transactions with qualified institutional buyers.
  - (c) This borrower has filed for protection in federal bankruptcy court.
  - (d) Affiliated company. See Notes to Financial Statements.
  - (e) Non-income producing security as this stock currently does not declare dividends.
  - (f) Restricted security.
  - (g) The borrower is in the process of restructuring or amending the terms of this loan.
  - (h) Variable rate security. Interest rate shown is that in effect at July 31, 2002.
  - (i) Fixed rate security.
  - (j) A portion of this security is segregated in connection with unfunded commitments.
- \* Senior Loans in the Trust's portfolio generally are subject to mandatory and/or optional prepayment. Because of these mandatory prepayment conditions and because there may be significant economic incentives for a Borrower to prepay, prepayments of Senior

See Notes to Financial Statements

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### YOUR TRUST'S INVESTMENTS

July 31, 2002

Loans in the Trust's portfolio may occur. As a result, the actual remaining maturity of Senior Loans held in the Trust's portfolio may be substantially less than the stated maturities shown. Although the Trust is unable to accurately estimate the actual remaining maturity of individual Senior Loans, the Trust estimates that the actual average maturity of the Senior Loans held in its portfolio will be approximately 18-24 months.

- \*\* Senior Loans in which the Trust invests generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the London Inter-Bank Offered Rate ("LIBOR"), (ii) the prime rate offered by one or more major United States banks or (iii) the certificate of deposit rate. Senior Loans are generally considered to be restricted in that the Trust ordinarily is contractually obligated to receive approval from the Agent Bank and/or Borrower prior to the disposition of a Senior Loan.

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FINANCIAL STATEMENTS  
Statement of Assets and Liabilities  
July 31, 2002

|   |                 |
|---|-----------------|
| ASSETS:   |                 |
| Total Investments (Cost \$2,001,166,038).....   | \$1,854,508,707 |
| Cash.....   | 27,200          |
| Receivables:  |                 |
| Investments Sold.....   | 8,948,393       |
| Interest and Fees.....  | 7,798,109       |
| Other.....  | 85,078          |
|   | -----           |
| Total Assets.....   | 1,871,367,487   |
|   | -----           |
| LIABILITIES:  |                 |
| Payables:   |                 |
| Borrowings.....   | 370,159,000     |
| Investments Purchased.....  | 68,125,990      |
| Investment Advisory Fee.....  | 1,279,353       |
| Administrative Fee.....   | 301,024         |
| Distributor and Affiliates.....   | 285,456         |
| Accrued Expenses.....   | 527,746         |
| Accrued Interest Expense.....   | 515,349         |
| Trustees' Deferred Compensation and Retirement Plans.....   | 213,102         |
|   | -----           |
| Total Liabilities.....  | 441,407,020     |
|   | -----           |
| NET ASSETS.....   | \$1,429,960,467 |
|   | =====           |
| NET ASSET VALUE PER COMMON SHARE (\$1,429,960,467 divided by<br>180,010,000 shares outstanding).....                                | \$ 7.94         |
|   | =====           |
| NET ASSETS CONSIST OF:  |                 |
| Common Shares (\$.01 par value with an unlimited number of<br>shares authorized, 180,010,000 shares issued and<br>outstanding)..... | \$ 1,800,100    |
| Paid in Surplus.....  | 1,795,669,290   |
| Accumulated Undistributed Net Investment Income.....  | 5,331,061       |
| Net Unrealized Depreciation.....  | (146,657,331)   |
| Accumulated Net Realized Loss.....  | (226,182,653)   |
|   | -----           |
| NET ASSETS.....   | \$1,429,960,467 |
|   | =====           |

See Notes to Financial Statements

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Statement of Operations  
For the Year Ended July 31, 2002

INVESTMENT INCOME:

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|  |                 |
|--|-----------------|
| Interest.....                                      | \$ 114,495,289  |
| Other.....   | 5,405,277       |
|  | -----           |
| Total Income.....                                  | 119,900,566     |
|  | -----           |
| EXPENSES:  |                 |
| Investment Advisory Fee.....                       | 15,425,573      |
| Administrative Fee.....                            | 3,629,547       |
| Legal.....   | 635,928         |
| Custody.....                                       | 586,249         |
| Trustees' Fees and Related Expenses.....           | 84,742          |
| Other.....   | 1,774,874       |
|  | -----           |
| Total Operating Expenses.....                      | 22,136,913      |
| Interest Expense.....                              | 7,897,445       |
|  | -----           |
| Total Expenses.....                                | 30,034,358      |
|  | -----           |
| NET INVESTMENT INCOME.....                         | \$ 89,866,208   |
|  | =====           |
| REALIZED AND UNREALIZED GAIN/LOSS:                 |                 |
| Net Realized Loss.....                             | \$ (87,927,766) |
|  | -----           |
| Unrealized Appreciation/Depreciation:              |                 |
| Beginning of the Period.....                       | (134,707,185)   |
| End of the Period.....                             | (146,657,331)   |
|  | -----           |
| Net Unrealized Depreciation During the Period..... | (11,950,146)    |
|  | -----           |
| NET REALIZED AND UNREALIZED LOSS.....              | \$ (99,877,912) |
|  | =====           |
| NET DECREASE IN NET ASSETS FROM OPERATIONS.....    | \$ (10,011,704) |
|  | =====           |

See Notes to Financial Statements

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Statement of Changes in Net Assets

|   | YEAR ENDED<br>JULY 31, 2002 | YEAR ENDED<br>JULY 31, 2001 |
|---|-----------------------------|-----------------------------|
|   | -----                       | -----                       |
| FROM INVESTMENT ACTIVITIES:                           |                             |                             |
| Operations:   |                             |                             |
| Net Investment Income.....                            | \$ 89,866,208               | \$ 143,228,857              |
| Net Realized Loss.....                                | (87,927,766)                | (134,906,805)               |
| Net Unrealized Depreciation During the Period.....    | (11,950,146)                | (62,619,290)                |
|   | -----                       | -----                       |
| Change in Net Assets from Operations.....             | (10,011,704)                | (54,297,238)                |
| Distributions from Net Investment Income.....         | (92,687,003)                | (149,588,160)               |
|   | -----                       | -----                       |
| NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES.. | (102,698,707)               | (203,885,398)               |
|   | -----                       | -----                       |
| NET ASSETS:   |                             |                             |
| Beginning of the Period.....                          | 1,532,659,174               | 1,736,544,572               |

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|   |                 |                 |
|---|-----------------|-----------------|
| End of the Period (Including accumulated undistributed net investment income of \$5,331,061 and \$8,403,655, respectively)..... | \$1,429,960,467 | \$1,532,659,174 |
|   | =====           | =====           |

See Notes to Financial Statements

Statement of Cash Flows  
For the Year Ended July 31, 2002

|  |                 |
|--|-----------------|
| CHANGE IN NET ASSETS FROM OPERATIONS.....  | \$ (10,011,704) |
| Adjustments to Reconcile the Change in Net Assets from Operations to Net Cash Used for Operating Activities: |                 |
| Decrease in Investments at Value.....  | 25,462,244      |
| Decrease in Receivable for Investments Sold.....   | 16,170,836      |
| Decrease in Interest and Fees Receivables.....   | 3,615,240       |
| Decrease in Other Assets.....  | 148,071         |
| Increase in Payable for Investments Purchased.....   | 56,211,490      |
| Decrease in Investment Advisory Fee Payable.....   | (100,161)       |
| Decrease in Administrative Fee Payable.....  | (23,568)        |
| Increase in Distributor and Affiliates Payable.....  | 232,909         |
| Decrease in Accrued Expenses.....  | (97,676)        |
| Increase in Trustees' Deferred Compensation and Retirement Plans.....  | 42,558          |
| Total Adjustments.....   | 101,661,943     |
| NET CASH PROVIDED BY OPERATING ACTIVITIES.....   | 91,650,239      |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                 |
| Change in Bank Borrowings.....   | (4,841,000)     |
| Change in Accrued Interest Expense.....  | (742,893)       |
| Cash Dividends Paid.....   | (92,803,333)    |
| Net Cash Used for Financing Activities.....  | (98,387,226)    |
| NET DECREASE IN CASH.....  | (6,736,987)     |
| Cash at Beginning of the Period.....   | 6,764,187       |
| CASH AT THE END OF THE PERIOD.....   | \$ 27,200       |

See Notes to Financial Statements

Financial Highlights

THE FOLLOWING SCHEDULE PRESENTS FINANCIAL HIGHLIGHTS FOR ONE SHARE OF THE TRUST OUTSTANDING THROUGHOUT THE PERIODS INDICATED.

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|   | YEAR ENDED JULY 31, |           |           |           | JUNE 24, 1998   |
|---|---------------------|-----------|-----------|-----------|---|
|   | 2002 (E)            | 2001      | 2000      | 1999      | (COMMENCEMENT OF INVESTMENT OPERATIONS) JULY 31, 1998 |
| NET ASSET VALUE, BEGINNING OF THE PERIOD (A).....               | \$ 8.51             | \$ 9.65   | \$ 10.08  | \$ 10.07  | \$ 9.99   |
| Net Investment Income.....                                      | .49                 | .79       | .81       | .77       | .07   |
| Net Realized and Unrealized Gain/Loss..                         | (.55)               | (1.10)    | (.42)     | -0-       | .01   |
| Total from Investment Operations.....                           | (.06)               | (.31)     | .39       | .77       | .08   |
| Less:   |                     |           |           |           |   |
| Distributions from Net Investment Income.....                   | .51                 | .83       | .81       | .76       | -0-   |
| Distributions from Net Realized Gain...                         | -0-                 | -0-       | .01       | -0-       | -0-   |
| Total Distributions.....  | .51                 | .83       | .82       | .76       | -0-   |
| NET ASSET VALUE, END OF THE PERIOD.....                         | \$ 7.94             | \$ 8.51   | \$ 9.65   | \$ 10.08  | \$ 10.07  |
| Common Share Market Price at End of the Period.....             | \$ 6.67             | \$ 7.79   | \$ 8.75   | \$ 9.5625 | \$10.0625   |
| Total Return (b).....   | -8.05%              | -1.42%    | .61%      | 2.98%     | .63%  |
| Net Assets at End of the Period (In millions).....              | \$1,430.0           | \$1,532.7 | \$1,736.5 | \$1,815.1 | \$1,812.1   |
| Ratio of Operating Expenses to Average Net Assets*.....         | 1.22%               | 1.63%     | 1.75%     | 1.66%     | 1.18%   |
| Ratio of Interest Expense to Average Net Assets.....            | .44%                | 2.15%     | 2.49%     | 2.37%     | .28%  |
| Ratio of Net Investment Income to Average Net Assets*.....      | 4.95%               | 8.90%     | 8.19%     | 7.72%     | 6.94%   |
| Portfolio Turnover (c).....                                     | 65%                 | 55%       | 57%       | 28%       | 3%  |
| Senior Indebtedness:  |                     |           |           |           |   |
| Total Borrowing Outstanding (In thousands).....                 | \$370,159           | \$375,000 | \$700,000 | \$800,000 | \$400,000   |
| Asset Coverage Per \$1,000 Unit of Senior Indebtedness (d)..... | 4,863               | 5,087     | 3,481     | 3,269     | 5,530   |

\* If certain expenses had not been voluntarily assumed by Van Kampen, total return would have been lower and the Ratio of Operating Expenses to Average Net Assets and the Ratio of Net Investment Income to Average Net Assets would have been 1.21% and 6.90% for the period ended July 31, 1998.

\*\* Non-Annualized

(a) Net asset value on June 24, 1998 of \$10.00 is adjusted for common share offering costs of \$.013.

(b) Total return based on common share market price assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing common share market price at the end of the period indicated.

(c) Calculation includes the proceeds from principal repayments and sales of variable rate senior loan interest.

(d) Calculated by subtracting the Trust's total liabilities (not including the

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Borrowings) from the Trust's total assets and dividing by the total number of senior indebtedness units, where one unit equals \$1,000 of senior indebtedness.

- (e) As required, effective August 1, 2001, the Trust has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on fixed income securities. The effect of this change for the year ended July 31, 2002 was to decrease the ratio of net investment income to average net assets by .01%. Net investment income per share and net realized and unrealized gains and losses per share were unaffected by the adjustments. Per share, ratios and supplemental data for the periods prior to July 31, 2002 have not been restated to reflect this change in presentation.

See Notes to Financial Statements

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### NOTES TO FINANCIAL STATEMENTS

July 31, 2002

#### 1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen Senior Income Trust (the "Trust") is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Trust's investment objective is to provide a high level of current income, consistent with preservation of capital. The Trust seeks to achieve its objective by investing primarily in a portfolio of interests in floating or variable rate senior loans to corporations, partnerships and other entities which operate in a variety of industries and geographical regions. The Trust borrows money for investment purposes which will create the opportunity for enhanced return, but also should be considered a speculative technique and may increase the Trust's volatility. The Trust commenced investment operations on June 24, 1998.

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A. SECURITY VALUATION The Trust's Senior Loans are valued by the Trust following valuation guidelines established and periodically reviewed by the Trust's Board of Trustees. Under the valuation guidelines, Senior Loans for which reliable market quotes are readily available are valued at the mean of such bid and ask quotes. Where reliable market quotes are not readily available, Senior Loans are valued, where possible, using independent pricing sources approved by the Board of Trustees. Other Senior Loans are valued by independent pricing sources approved by the Board of Trustees based upon pricing models developed, maintained and operated by those pricing sources or valued by Van Kampen Investment Advisory Corp. (the "Adviser") by considering a number of factors including consideration of market indicators, transactions in instruments which the Adviser believes may be comparable (including comparable credit quality, interest rate, interest rate redetermination period and maturity), the credit worthiness of the Borrower, the current interest rate, the period until next interest rate redetermination and the maturity of such Senior Loan.

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Consideration of comparable instruments may include commercial paper, negotiable certificates of deposit and short-term variable rate securities which have adjustment periods comparable to the Senior Loans in the Trust's portfolio. The fair value of Senior Loans are reviewed and approved by the Trust's Valuation Committee and the Board of Trustees.

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### NOTES TO FINANCIAL STATEMENTS

July 31, 2002

Equity securities are valued on the basis of prices furnished by pricing services or at fair value as determined in good faith by the Adviser under the direction of the Board of Trustees.

Short-term securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value. Short-term loan participations are valued at cost in the absence of any indication of impairment.

The Trust may invest in repurchase agreements, which are short-term investments in which the Trust acquires ownership of a debt security and the seller agrees to repurchase the security at a future time and specified price. Repurchase agreements are fully collateralized by the underlying debt security. The Trust will make payment for such securities only upon physical delivery or evidence of book entry transfer to the account of the custodian bank. The seller is required to maintain the value of the underlying security at not less than the repurchase proceeds due the Trust.

B. SECURITY TRANSACTIONS Investment transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis.

C. INVESTMENT INCOME Interest income is recorded on an accrual basis. Facility fees received are treated as market discounts. Market premiums are amortized and discounts are accreted over the stated life of each applicable senior loan, note, or other fixed income security. Other income is comprised primarily of amendment fees. Amendment fees are earned as compensation for agreeing to changes in loan agreements.

As required, effective August 1, 2001, the Trust has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premiums on fixed income securities. Prior to August 1, 2001, the Trust did not amortize premiums on fixed income securities. The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$251,799 reduction in cost of securities and corresponding \$251,799 increase in net unrealized appreciation based on securities held by the Trust on August 1, 2001.

The effect of this change for the year ended July 31, 2002 was to decrease net investment income by \$119,589; increase net unrealized depreciation by \$71,798, and decrease net realized loss by \$191,387. The Statement of Changes in Net Assets and Financial Highlights for prior periods have not been restated to reflect this change in presentation.

D. FEDERAL INCOME TAXES It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to

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NOTES TO  
FINANCIAL STATEMENTS

July 31, 2002

distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes is required.

The Trust intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At July 31, 2002, the Trust had an accumulated capital loss carryforward for tax purposes of \$127,568,090, which will expire between July 31, 2009 and 2010.

At July 31, 2002, the cost and related gross unrealized appreciation and depreciation are as follows:

|   |                  |
|---|------------------|
| Cost of investments for tax purposes.....           | \$2,045,607,056  |
|   | -----            |
| Gross tax unrealized appreciation.....              | \$ 28,360,927    |
| Gross tax unrealized depreciation.....              | (219,459,276)    |
|   | -----            |
| Net tax unrealized depreciation on investments..... | \$ (191,098,349) |
|   | =====            |

E. DISTRIBUTION OF INCOME AND GAINS The Trust intends to declare and pay monthly dividends from net investment income to common shareholders. Net realized gains, if any, are to be distributed at least annually to common shareholders. Distributions from net realized gains for book purposes may include short term capital gains, which are included as ordinary income for tax purposes.

The tax character of distributions paid during 2002 and 2001 was as follows:

|                          | 2002         | 2001          |
|--------------------------|--------------|---------------|
| Distributions paid from: |              |               |
| Ordinary income.....     | \$92,687,003 | \$149,588,160 |

As of July 31, 2002, the components of distributable earnings on a tax basis were as follows:

|                                    |             |
|------------------------------------|-------------|
| Undistributed ordinary income..... | \$2,558,782 |
|------------------------------------|-------------|

Net realized gains and losses may differ for financial and tax reporting purposes primarily as a result of the deferral of losses relating to wash sale transactions, post October losses which may not be recognized for tax purposes until the first day of the following fiscal year and other losses that were recognized for book purposes but not tax purposes at the end of the fiscal year.

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### NOTES TO FINANCIAL STATEMENTS

July 31, 2002

#### 2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Trust's Investment Advisory Agreement, the Adviser will provide investment advice and facilities to the Trust for an annual fee of .85% of the average daily managed assets. Managed assets are defined as the gross asset value of the Trust minus the sum of accrued liabilities, other than the aggregate amount of borrowings undertaken by the Trust. In addition, the Trust will pay a monthly administrative fee to Van Kampen Investments Inc., the Trust's Administrator, at an annual rate of .20% of the average daily managed assets of the Trust. The administrative services provided by the Administrator include monitoring the provisions of the loan agreements and any agreements with respect to participations and assignments, record keeping responsibilities with respect to interests in Variable Rate Senior Loans in the Trust's portfolio and providing certain services to the holders of the Trust's securities.

For the year ended July 31, 2002, the Trust recognized expenses of approximately \$182,800 representing legal services provided by Skadden, Arps, Slate, Meagher & Flom (Illinois), counsel to the Trust, of which a trustee of the Trust is an affiliated person.

Under a Legal Services agreement, the Adviser provides legal services to the Trust. The Adviser allocates the cost of such services to each Trust. For the year ended July 31, 2002, the Trust recognized expenses of approximately \$64,800 representing Van Kampen Investments Inc.'s or its affiliates' (collectively "Van Kampen") cost of providing legal services to the Trust, which are reported as "Legal" expenses in the Statement of Operations.

Certain officers and trustees of the Trust are also officers and directors of Van Kampen. The Trust does not compensate its officers or trustees who are officers of Van Kampen.

The Trust provides deferred compensation and retirement plans for its trustees who are not officers of Van Kampen. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation to a later date. Benefits under the retirement plan are payable for a ten-year period and are based upon each trustee's years of service to the Trust. The maximum annual benefit per trustee under the plan is \$2,500.

During the period, the Trust owned shares of the following affiliated companies. Affiliated companies are defined by the Investment Company Act of

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### NOTES TO FINANCIAL STATEMENTS

July 31, 2002

1940 as those companies in which a fund holds 5% or more of the outstanding voting securities.

INTEREST/



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| NAME  | PAR/<br>SHARES* | REALIZED<br>GAIN/(LOSS) | DIVIDEND<br>INCOME | VALUE<br>7/31/02 | COST        |
|---|-----------------|-------------------------|--------------------|------------------|-------------|
| Imperial Home Decor<br>Group, Inc., Term<br>Loan.....             | \$ 1,422,288    | \$ 0                    | \$106,035          | \$1,329,839      | \$1,367,833 |
| Imperial Home Decor<br>Group, Inc., Common<br>Stock.....          | 512,023         | 0                       | 0                  | 0                | 522,263     |
| Imperial Home Decor<br>Realty, Inc., Common<br>Stock.....         | 512,023         | 0                       | 0                  | 0                | 0           |
| Rowe International, Inc.,<br>Term Loan.....                       | 5,762,338       | 795                     | 583,427            | 201,707          | 5,151,641   |
| Rowe International, Inc.,<br>Revolving Credit<br>Agreement.....   | 95,625          | 0                       | 5,269              | 0                | 93,335      |
| Rowe International,<br>Inc. ....                                  | 185,317         | 0                       | 25,360             | 0                | 185,317     |
| Rowe International, Inc.,<br>Common Stock.....                    | 87,636          | 0                       | 0                  | 0                | 0           |
| Telespectrum Worldwide,<br>Inc., Term Loan.....                   | 1,869,163       | 0                       | 42,058             | 1,219,255        | 1,108,323   |
| Telespectrum Worldwide,<br>Inc., Common &<br>Preferred Stock..... | 11,627,082      | 0                       | 0                  | 0                | 0           |

\* Shares were acquired through the restructuring of Senior loan interests.

At July 31, 2002, Van Kampen owned 10,000 common shares of the Trust.

3. INVESTMENT TRANSACTIONS

During the period, the costs of purchases and proceeds from investments sold and repaid, excluding short-term investments, were \$1,367,017,743 and \$1,152,288,586, respectively.

4. COMMITMENTS

Pursuant to the terms of certain of the Variable Rate Senior Loan agreements, the Trust had unfunded loan commitments of approximately \$59,492,300 as of July 31, 2002. The Trust intends to reserve against such contingent obligations by segregating cash, liquid securities and liquid Senior Loans as a reserve.

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FINANCIAL STATEMENTS

July 31, 2002

5. SENIOR LOAN PARTICIPATION COMMITMENTS

The Trust invests primarily in participations, assignments, or acts as a party to the primary lending syndicate of a Variable Rate Senior Loan interest to United States and foreign corporations, partnerships, and other entities. When the Trust purchases a participation of a Senior Loan interest, the Trust typically enters into a contractual agreement with the lender or other third party selling the participation, but not with the borrower directly. As such, the Trust assumes the credit risk of the borrower, selling participant or other

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persons interpositioned between the Trust and the borrower.

At July 31, 2002, the following sets forth the selling participants with respect to interests in Senior Loans purchased by the Trust on a participation basis.

| SELLING PARTICIPANT                      | PRINCIPAL<br>AMOUNT<br>(000) | VALUE<br>(000) |
|--|------------------------------|----------------|
| Goldman Sachs Credit Partners, L.P. .... | \$10,631                     | \$10,451,222   |
| JP Morgan Chase Bank.....                | 20,000                       | 16,512,500     |
|  | -----                        | -----          |
| Total.....                               | \$30,631                     | \$26,963,722   |
|  | =====                        | =====          |

### 6. BORROWINGS

In accordance with its investment policies, the Trust may borrow money for investment purposes in an amount up to approximately 33 1/3% of the Trust's total assets.

The Trust has entered into a \$500 million revolving credit agreement with VVR Funding LLC, a Delaware limited liability company whose sole purpose is the issuance of commercial paper, which will terminate on September 30, 2002. VVR has the authority to issue a maximum of \$800 million of commercial paper, at a discount, with maturities of up to 180 days, the proceeds of which are used to make advances to the Trust. This revolving credit agreement is secured by the assets of the Trust. For the year ended July 31, 2002, the average daily balance of borrowings under the revolving credit agreement was \$334 million with a weighted average interest rate of 2.35%.

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### REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Trustees of Van Kampen Senior Income Trust

We have audited the accompanying statement of assets and liabilities of Van Kampen Senior Income Trust (the "Trust"), including the portfolio of investments, as of July 31, 2002, 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 three years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The Trust's financial highlights for the periods ended prior to July 31, 2000 were audited by other auditors whose report, dated September 14, 1999, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of July 31, 2002, by correspondence with the Trust's

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custodian, brokers, and selling or agent banks; where replies were not received, we performed alternative auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Van Kampen Senior Income Trust as of July 31, 2002, the results of its operations, cash flows, the changes in its net assets and the financial highlights for the respective stated periods, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
Chicago, Illinois  
September 6, 2002

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### DIVIDEND REINVESTMENT PLAN

The Trust offers a Dividend Reinvestment Plan (the "Plan") pursuant to which Common Shareholders who are participants in the Plan may have all distributions of dividends and capital gains automatically reinvested in Common Shares of the Trust. Common Shareholders who elect not to participate in the Plan will receive all distributions of dividends and capital gains in cash paid by check mailed directly to the Common Shareholder by the Trust's dividend disbursing agent.

### HOW THE PLAN WORKS

State Street Bank and Trust Company, as your Plan Agent, serves as agent for the Common Shareholders in administering the Plan. After the Trust declares a dividend or determines to make a capital gains distribution, the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Common Shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. The Trust will not issue any new Common Shares in connection with the Plan. All reinvestments are in full and fractional Common Shares, carried to three decimal places.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Trust reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to all Common Shareholders of the Trust at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent, with the written consent of the Trust, by providing at least 90 days written notice to all Participants in the Plan.

### COSTS OF THE PLAN

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. No other charges will be made to participants for reinvesting dividends or capital gains distributions, except for certain brokerage commissions, as described above.

### TAX IMPLICATIONS

You will receive tax information annually for your personal records and to

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help you prepare your federal income tax return. The automatic reinvestment of dividends and capital gains distributions does not relieve you of any income tax which may be payable on dividends or distributions.

### RIGHT TO WITHDRAW

You may withdraw from the Plan at any time by calling 1-800-341-2929 or by writing State Street Bank and Trust Company. If you withdraw, you will receive, without charge, a share certificate issued in your name for all full Common Shares credited to your account under the Plan, and a cash payment will be made for any fractional Common Share credited to your account under the Plan. You may again elect to participate in the Plan at any time by calling 1-800-341-2929 or writing to the Trust at:

2800 Post Oak Blvd.

Attn: Closed-End Funds

Houston, TX 77056

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### BOARD OF TRUSTEES AND IMPORTANT ADDRESSES VAN KAMPEN SENIOR INCOME TRUST

#### BOARD OF TRUSTEES

DAVID C. ARCH  
ROD DAMMEYER  
HOWARD J KERR  
THEODORE A. MYERS  
RICHARD F. POWERS, III\* - Chairman  
HUGO F. SONNENSCHNEIN  
WAYNE W. WHALEN\*

#### INVESTMENT ADVISER

VAN KAMPEN INVESTMENT ADVISORY CORP.  
1 Parkview Plaza  
P.O. Box 5555  
Oakbrook Terrace, IL 60181-5555

#### CUSTODIAN AND TRANSFER AGENT

STATE STREET BANK  
AND TRUST COMPANY  
c/o EquiServe  
P.O. Box 43011  
Providence, Rhode Island 02940-3011

#### LEGAL COUNSEL

SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM (ILLINOIS)  
333 West Wacker Drive  
Chicago, Illinois 60606

#### INDEPENDENT AUDITORS

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DELOITTE & TOUCHE LLP  
180 North Stetson Avenue  
Chicago, Illinois 60601

## REVISED POLICY ON INVESTMENTS IN STRUCTURED NOTES

The Board of Van Kampen Senior Income Trust has revised the Trust's policy to invest up to 5% of its total assets in various structured note investments by expanding the universe of the types of structured notes in which the Trust can invest. This replaces the former policy of the Trust to invest only in structured notes where the rates of return are determined by reference to the total rate of return on one or more senior loans referenced in such notes. Interest on structured note investments may now be based on a spread over an index or a benchmark interest rate, or other reference indicator, that may or may not correlate to the total rate of return on one or more Senior Loans referenced in such notes.

\* "Interested persons" of the Trust, as defined in the Investment Company Act of 1940, as amended.

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## RESULTS OF SHAREHOLDER VOTES

The Annual Meeting of Shareholders of the Trust was held on June 12, 2002, where shareholders voted on the election of trustees.

With regards to the election of the following trustees by the shareholders of the Trust:

|                    | # OF SHARES |           |
|--------------------|-------------|-----------|
|                    | IN FAVOR    | WITHHELD  |
| David C. Arch..... | 172,266,302 | 2,188,919 |
| Howard J Kerr..... | 172,196,426 | 2,258,795 |

The other trustees of the Trust whose terms did not expire in 2002 are Hugo F. Sonnenschein, Rod Dammeyer, Theodore A. Myers, Richard F. Powers, III, and Wayne W. Whalen.

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## TRUSTEE AND OFFICER INFORMATION

The business and affairs of the Trust are managed under the direction of the Trust's Board of Trustees and the Trust's officers appointed by the Board of Trustees. The tables below list the trustees and officers of the Trust and their principal occupations for the last five years, other directorships held by the trustees and their affiliations, if any, with Van Kampen Investments Inc. ("Van Kampen Investments"), Van Kampen Investment Advisory Corp. ("Advisory Corp."), Van Kampen Asset Management Inc. ("Asset Management"), Van Kampen Funds Inc. (the "Distributor"), Van Kampen Advisors Inc., Van Kampen Exchange Corp. and Van Kampen Investor Services Inc. ("Investor Services"). Advisory Corp. and Asset Management sometimes are referred to herein collectively as the "Advisers." For

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purposes hereof, the term "Fund Complex" includes each of the investment companies advised by the Advisers. Trustees serve three year terms or until their successors are duly elected and qualified. Officers are annually elected by the trustees.

### INDEPENDENT TRUSTEES:

| NAME, AGE AND ADDRESS<br>OF INDEPENDENT TRUSTEE                               | POSITION(S)<br>HELD WITH<br>TRUST | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS  |
|---|-----------------------------------|--|---|
| David C. Arch (57)<br>Blistex Inc.<br>1800 Swift Drive<br>Oak Brook, IL 60523 | Trustee                           | Trustee<br>since 1998                                | Mr. Arch is Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer, and former Director of the World Presidents Organization-Chicago Chapter. Mr. Arch is also a Trustee or Managing General Partner of other investment companies advised by the Advisers. |

| NAME, AGE AND ADDRESS<br>OF INDEPENDENT TRUSTEE                               | OTHER DIRECTORSHIPS<br>HELD BY TRUSTEE  |
|---|---|
| David C. Arch (57)<br>Blistex Inc.<br>1800 Swift Drive<br>Oak Brook, IL 60523 | Mr. Arch is a member of the Board of Directors of the Heartland Alliance, a non-profit organization serving human needs based in Chicago. |

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| NAME, AGE AND ADDRESS<br>OF INDEPENDENT TRUSTEE  | POSITION(S)<br>HELD WITH<br>TRUST | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS  |
|--|-----------------------------------|--|---|
| Rod Dammeyer (61)<br>CAC, llc.<br>676 North Michigan Avenue<br>Suite 2800<br>Chicago, IL 60611 | Trustee                           | Trustee<br>since 1998                                | Mr. Dammeyer is President of CAC, llc., a private company offering capital investment and management advisory services. Mr. Dammeyer is also a Trustee or Managing General Partner of other investment companies advised by the Advisers. Prior to February 2001, Mr. Dammeyer was Vice Chairman and Director of Anixter International, Inc. and IMC Global Inc. Prior to July 2000, Mr. Dammeyer was a Managing Partner of Equity Group Corporate Investment (EGI), a company that makes private investments in other companies. Prior to 1997 Mr. Dammeyer was President, Chief Executive Officer and a Director of Great American Management & Investment, Inc., a diversified |

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manufacturing company.

| NAME, AGE AND ADDRESS<br>OF INDEPENDENT TRUSTEE   | OTHER DIRECTORSHIPS<br>HELD BY TRUSTEE  |
|---|---|
| <p>Rod Dammeyer (61)<br/>CAC, llc.<br/>676 North Michigan Avenue<br/>Suite 2800<br/>Chicago, IL 60611</p> | <p>Mr. Dammeyer is a member of the Board of Directors of TeleTech Holdings Inc., Stericycle, Inc., GATX Corporation, Therasence, Inc. and Peregrine Systems Inc. and a member of the Board of Trustees of the University of Chicago Hospitals and Health Systems. Prior to July 2000, Mr. Dammeyer was a member of the Board of Directors of Allied Riser Communications Corp., Matria Healthcare Inc., Transmedia Networks, Inc., CNA Surety, Corp. and Grupo Azcarero Mexico (GAM). Prior to April 1999, Mr. Dammeyer was a Director of Metal Management, Inc. Prior to 1998, Mr. Dammeyer was a Director of Lukens, Inc., Capsure Holdings Corp., Revco D.S., Inc., the Chase Manhattan Corporation National Advisory Board and Sealy, Inc. Prior to 1997, Mr. Dammeyer was a Director of Flacon Building Products, Inc.</p> |

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| NAME, AGE AND ADDRESS<br>OF INDEPENDENT TRUSTEE   | POSITION(S)<br>HELD WITH<br>TRUST | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS   |
|---|-----------------------------------|--|--|
| <p>Howard J Kerr (66)<br/>736 North Western Avenue<br/>P.O. Box 317<br/>Lake Forest, IL 60045</p> | <p>Trustee</p>                    | <p>Trustee<br/>since 1998</p>                        | <p>Mr. Kerr is a Trustee or Managing General Partner of other investment companies advised by the Advisers. Prior to 1998, Mr. Kerr was the President and Chief Executive Officer of Pocklington Corporation, Inc., an Investment holding company.</p> |
| <p>Theodore A. Myers (72)</p>   | <p>Trustee</p>                    | <p>Trustee</p>                                       | <p>Mr. Myers is a financial consultant. Mr. Myer</p>   |

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550 Washington Avenue  
Glencoe, IL 60022

since 1998 is also a Trustee or Managing General Partner of other investment companies advised by the Advisers. Prior to 1998, Mr. Myers was a Senior Financial Advisor (and, prior to 1997, an Executive Vice President, Chief Financial Officer and Director) of Qualitech Steel Corporation, a producer of high quality engineered steels for automotive, transportation and capital goods industries. Prior to 1997, Mr. Myers was a member of the Arthur Andersen Chief Financial Officers' Committee.

NAME, AGE AND ADDRESS  
OF INDEPENDENT TRUSTEE

OTHER DIRECTORSHIPS  
HELD BY TRUSTEE

Howard J Kerr (66)  
736 North Western Avenue  
P.O. Box 317  
Lake Forest, IL 60045

Mr. Kerr is a Director of Canbra Foods, Ltd., a Canadian oilseed crushing, refining, processing and packaging operation, and the Marrow Foundation.

Theodore A. Myers (72)  
550 Washington Avenue  
Glencoe, IL 60022

Mr. Myers is a Director of Met Life Investors (formerly known as COVA Financial Life Insurance). Prior to 1997, Mr. Myers was a Director of McLouth Steel.

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| NAME, AGE AND ADDRESS<br>OF INDEPENDENT TRUSTEE                       | POSITION(S)<br>HELD WITH<br>TRUST | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS   |
|---|-----------------------------------|--|--|
| Hugo F. Sonnenschein (61)<br>1126 E. 59th Street<br>Chicago, IL 60637 | Trustee                           | Trustee<br>since 1998                                | Mr. Sonnenschein is President Emeritus and Honorary Trustee of the University of Chicago and the Hutchinson Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000 Mr. Sonnenschein was President of the University of Chicago. Mr. Sonnenschein is a member of the Board of Trustees of the University of Rochester and a member of its investment committee. Mr. Sonnenschein is a member of the National Academy of Sciences, the American Philosophical Society, and a fellow of the American Academy of Arts and Sciences. Mr. Sonnenschein is also a Trustee or Managing General Partner of other investment companies advised by the Advisers. |



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NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE OTHER DIRECTORSHIPS HELD BY TRUSTEE

Hugo F. Sonnenschein (61)  
1126 E. 59th Street  
Chicago, IL 60637

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INTERESTED TRUSTEES\*:

| NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE                                    | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS  |
|--|-----------------------------|--|--|
| Richard F. Powers, III* (56)<br>1 Parkview Plaza<br>Oakbrook Terrace, IL 60181 | Chairman                    | Trustee since 1999                       | Mr. Powers is Chairman, Director, President, Chief Executive Officer and Managing Director of Van Kampen; Chairman, Director, Chief Executive Officer and Managing Director of the Advisers, Distributor, Van Kampen Advisers Inc. and Van Kampen Management Inc.; Director of other subsidiaries of Van Kampen; and Chief Sales and Marketing Officer of Morgan Stanley Asset Management Inc. Mr. Powers is also Chairman of the Board, Trustee/Director and President of funds in the Fund Complex. Prior to May 1998, Mr. Powers was Executive Vice President; and Director of Marketing of Morgan Stanley and Director of Dean Witter Discover Co. and Dean Witter Realty. Prior to 1996, Mr. Powers was Director of Dean Witter Reynolds Inc. |
| Wayne W. Whalen* (63)<br>333 West Wacker Drive<br>Chicago, IL 60606            | Trustee                     | Trustee since 1998                       | Mr. Whalen is a Partner in the law firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), legal counsel to certain funds advised by the Advisers. Mr. Whalen is a Trustee, Director or Managing General Partner of other funds advised by the Advisers.  |

NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE OTHER DIRECTORSHIPS HELD BY TRUSTEE

Richard F. Powers, III\* (56)  
1 Parkview Plaza  
Oakbrook Terrace, IL 60181  
Wayne W. Whalen\* (63)  
333 West Wacker Drive  
Chicago, IL 60606

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\* Such trustee is an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act). Mr. Whalen is an interested person to certain of the funds in the Fund Complex by reason of his firm currently acting as legal counsel to such funds in the Fund Complex. Mr. Powers is an interested person of such funds in the Fund Complex and the Advisers by reason of their positions with Morgan Stanley or its affiliates.

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OFFICERS:

| NAME, AGE AND ADDRESS OF OFFICER   | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS   |
|--|-----------------------------|--|---|
| Stephen L. Boyd (61)<br>2800 Post Oak Blvd.<br>45th Floor<br>Houston, TX 77056 | Vice President              | Officer since 1998                       | Managing Director and Chief Investment Investments, and Managing Director Advisers and Van Kampen Advisers In President and Chief Investment Offi Complex. Prior to December 2000, Ex and Chief Investment Officer of Van President and Chief Operating Offic to April 2000, Executive Vice Presi Officer for Equity Investments of t October 1998, Vice President and Se with AIM Capital Management, Inc. P Senior Vice President and Portfolio American Capital Asset Management, Capital Investment Advisory Corp. a Capital Management, Inc. |
| Joseph J. McAlinden (59)<br>1221 Avenue of the Americas<br>New York, NY 10020  | Chief Investment Officer    | Officer since 2002                       | Managing Director and Chief Investm Stanley Investment Advisors Inc. an Stanley Trust for 5 years.  |

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| NAME, AGE AND ADDRESS OF OFFICER  | POSITION(S) HELD WITH TRUST  | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS  |
|---|------------------------------|--|--|
| A. Thomas Smith III (45)<br>1221 Avenue of Americas<br>New York, NY 10020 | Vice President and Secretary | Officer since 1999                       | Managing Director and Director of V Director of the Advisers, Van Kampe Distributor, Investor Services and subsidiaries of Van Kampen Investme and General Counsel-Mutual Funds of Investment Advisors, Inc. Vice Pres Officer and Secretary of funds in t July 2001, Managing Director, Gener Director of Van Kampen Investments, Distributor, Investor Services, and |

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|  |  |                               |   |
|--|--|-------------------------------|---|
| <p>John R. Reynoldson (49)<br/>1 Parkview Plaza<br/>Oakbrook Terrace, IL 60181</p> | <p>Vice President</p>  | <p>Officer<br/>since 2000</p> | <p>subsidiaries of Van Kampen Investme<br/>2000, Executive Vice President, Gen<br/>and Director of Van Kampen Investme<br/>Kampen Advisors Inc., the Distribut<br/>certain other subsidiaries of Van K<br/>to January 1999, Vice President and<br/>Counsel to New York Life Insurance<br/>Life"), and prior to March 1997, As<br/>of New York Life. Prior to December<br/>Counsel of The Dreyfus Corporation.<br/>Senior Associate, Willkie Farr &amp; Ga<br/>1989, Staff Attorney at the Securit<br/>Commission, Division of Investment<br/>Chief Counsel.<br/>Executive Director of the Advisers<br/>Inc. Vice President of funds in the<br/>July 2001, Principal and Co- head o<br/>Department of the Advisers and Van<br/>Prior to December 2000, Senior Vice<br/>Advisers and Van Kampen Advisors In<br/>managed the investment grade taxabl<br/>since July 1999. From July 1988 to<br/>government securities bond group fo<br/>Reynoldson has been with Asset Mana<br/>Executive Director of Van Kampen In<br/>and Van Kampen Advisors Inc. Vice P<br/>Officer and Treasurer of funds in t<br/>Fund Accounting for Morgan Stanley</p> |
| <p>John L. Sullivan (47)<br/>1 Parkview Plaza<br/>Oakbrook Terrace, IL 60181</p>   | <p>Vice President,<br/>Chief Financial<br/>Officer and<br/>Treasurer</p> | <p>Officer<br/>since 1998</p> |   |

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| NAME, AGE AND<br>ADDRESS OF OFFICER   | POSITION(S)<br>HELD WITH<br>TRUST | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS  |
|---|-----------------------------------|--|---|
| <p>John H. Zimmermann, III (44)<br/>Harborside Financial Center<br/>Plaza 2 - 7th Floor<br/>Jersey City, NJ 07311</p> | <p>Vice President</p>             | <p>Officer<br/>since 2000</p>                        | <p>Managing Director and Director of V<br/>and Managing Director, President an<br/>Distributor. Vice President of fund<br/>Prior to December 2000, President o<br/>Agency of Illinois Inc., and Senior<br/>Director of Van Kampen Investments.<br/>December 1997, Mr. Zimmermann was S<br/>the Distributor.</p> |

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