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HIGH YIELD INCOME FUND INC

Form N-CSR

November 07, 2003

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number: 811- 5296

Exact name of registrant as specified in charter: High Yield Income  
Fund, Inc.

Address of principal executive offices: Gateway Center 3  
100 Mulberry Street  
Newark, New Jersey 07102

Name and address of agent for service: Deborah A. Docs  
Gateway Center 3  
100 Mulberry Street  
Newark, New Jersey 07102

Registrant's telephone number, including area code: 973-367-7521

Date of fiscal year end: August 31, 2003

Date of reporting period: August 31, 2003

Item 1 - Reports to Stockholders

The High  
Yield Income  
Fund, Inc.

-----  
Annual Report  
August 31, 2003

LETTER TO  
SHAREHOLDERS

-----  
October 14, 2003

Dear Shareholder:

Performance at a Glance

The U.S. high yield corporate bond market turned in a stellar performance

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for the fiscal year ended August 31, 2003. High yield bonds, commonly called "junk bonds," benefited from a monetary policy aimed at stimulating economic growth in the United States through lower borrowing costs for businesses and individuals. For the 12-month reporting period, the High Yield Income Fund posted a 29.75% return that exceeded the 24.86% return of its benchmark Lehman Brothers U.S. Corporate High Yield Index (the Index), but lagged the 32.03% return of the Lipper Closed-End High Current Yield Average.

### FUND'S PERFORMANCE As of 8/31/03

	Total Return 12 Months	NAV 8/31/03	Market Price 8/31/03
High Yield Income Fund(1)	29.75%	\$5.25	\$5.23
Lehman Brothers U.S. Corporate High Yield Index(2)	24.86	N/A	N/A
Lipper Closed-End High Current Yield Avg(3)	32.03	N/A	N/A

1. Source: Lipper Inc. Total return of the Fund represents the change in net asset value from the beginning of the period (9/1/02) through the end (8/31/03), and assumes the reinvestment of dividends and distributions. Shares of the Fund are traded on the New York Stock Exchange, Inc. using the symbol HYI. Past performance is not indicative of future results.

2. Source: Lipper Inc. The Lehman Brothers U.S. Corporate High Yield Index is an unmanaged index of fixed-rate, noninvestment-grade debt securities with at least one year remaining to maturity.

3. Source: Lipper Inc. These are the average returns of 25 funds in the Closed-End High Current Yield category for 12 months.

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### YIELD AND DIVIDEND As of 8/31/03

Total Monthly Dividends Paid per Share	Yield at Market Price
12 Months \$0.54	10.33%

The Fund's primary investment objective is to maximize current income to shareholders. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The Fund will seek to achieve its objectives by investing primarily in corporate bonds rated below investment grade by independent rating agencies. Bonds rated below investment grade are commonly known as junk bonds and are subject to greater risk of default and higher volatility than investment-grade bonds. Furthermore, these bonds tend to be less liquid than higher-quality bonds. The Fund is diversified, and we carefully research companies

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to find those with attractive yields and improving credit quality.

### Market Background

#### A REMARKABLE YEAR FOR HIGH YIELD BONDS

The high yield bond market rallied strongly during the 12-month reporting period that began September 1, 2002. High yield bonds gained on the view that a declining-interest-rate environment would succeed in boosting economic growth and ultimately result in significantly improved corporate profitability. Some firms took advantage of the drop in rates by refinancing their debt, which means they issued new bonds and used the proceeds to pay off higher-rate bonds and bank loans that would soon come due. Because junk bonds continued to yield more than better-rated bonds, demand for junk bonds remained strong among investors searching for attractive yields.

Conditions in the high yield bond market were challenging in the first few weeks of the reporting period. The fragile U.S. economic recovery, concern about the health of corporate balance sheets, and the memory of accounting scandals at certain U.S. firms encouraged a general distaste for speculative assets. That began to change in the early autumn of 2002 when a rebound in the stock market helped inspire renewed enthusiasm for high yield bonds. Investors also appreciated the efforts of certain companies to clean up their balance sheets by reducing debt, curtailing spending, and selling assets. In addition, the Federal Reserve (the Fed) cut its target for the federal funds rate by half a percentage point to 1.25% in November 2002 in an effort to strengthen the fragile economy.

The high yield bond market gained for most of the remainder of the reporting period amid further favorable developments. After selling off prior to the start of a war in Iraq, the stock market rally resumed and corporate earnings improved modestly. Economic growth accelerated in the second quarter of 2003 even though the job market remained weak. In June, the Fed provided additional support to the economy by cutting its target for the federal funds rate another quarter of a percentage point to 1%.

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### Our Strategy

#### LEVERAGE HELPED THE FUND AS BONDS RALLIED

We believe the Fund outperformed the Index for the 12-month reporting period largely because we employed leverage, which refers to the practice of taking out a relatively low-interest loan against a percentage of assets in the portfolio and using that money to purchase other investments. This strategy can materially enhance a portfolio's returns when fixed income markets rally as they did during the fiscal year.

#### UTILITIES AND CABLE TV BONDS AIDED THE FUND

We increased the Fund's exposure to the electric utility sector. High yield bonds in this sector generally gained in value due to the dramatic improvement in the refinancing environment. The influx of money into the high yield market, combined with low interest rates, allowed certain cash-strapped electric power generating companies to get access to new debt funding. By refinancing debt that would soon come due with new bonds offering lower rates and longer maturity dates, these firms built a "liquidity bridge"

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to better economic times.

We maintained what we believed to be a considerable exposure to cable television bonds. This sector of the high yield market generally rallied as investors shifted their focus from a major accounting scandal at Adelphia Communications to the industry's steady cash flows and other strengths. Among the Fund's cable television holdings were Cablevision Systems (held under CSC Holdings) and Charter Communications. Cablevision Systems' bonds rallied as the firm sold its Bravo cable network and certain other assets and used the proceeds to improve its cash position and liquidity profile. Charter Communications bonds rose in value after the firm announced its intention to buy back some of its debt.

### PLAYING IT SAFE IN TELECOM

The telecommunications industry was among the largest issuers of high yield bonds in the late 1990s when there was much capital available to finance the construction of what proved to be an overcapacity of fiber optic networks. Since then the industry has struggled under a substantial amount of debt. News that WorldCom (now MCI) had inflated its profits by billions of dollars followed by its subsequent bankruptcy dealt another blow to the telecom sector in the summer of 2002. Considering these difficulties, we maintained what we believed to be a relatively conservative posture in the Fund's telecom position.

However, during the reporting period, the telecom sector was revitalized by the successful turnaround of Nextel Communications. The mobile telephone firm reduced debt, cut spending, trimmed its work force, and saw its customer base increase. Qwest Communications International also took steps to improve its financial health in December 2002 when it lowered its debt by exchanging roughly \$5 billion of its bonds for new debt securities. More recently, Qwest Communications' bonds gained after the company received permission to sell

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the western half of its directories business, which it completed shortly after the reporting period ended.

Overall, the telecom sector posted one of the strongest returns in the high yield market for the 12 months ended August 31, 2003. We increased the Fund's telecom exposure, emphasizing bonds of Sprint and other firms rated investment grade, as well as some of the least speculative high yield bonds of Nextel Communications and Qwest Communications. The Fund's telecom holdings rallied, supporting the Fund's returns during our reporting period. However, we believe the somewhat conservative nature of our telecom exposure detracted from the Fund's relative performance to the Index because the more speculative telecom bonds contained in the Index gained the most during the 12-month period under review.

### FUND HELD TOO FEW BONDS OF "FALLEN ANGELS"

The Fund's underweight exposure to the bonds of certain fallen angels detracted from its relative performance to the Index as the Fund derived less benefit than it could have from the sharp rally in these debt securities. Fallen angels are troubled firms that were originally rated investment grade but were downgraded to junk bond status. Because some fallen angels have substantial amounts of bonds outstanding, their weighting in the Index can be more than 10 times greater than the average issuer size in the Index. We

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believe that holding very large positions in the Fund (simply because they are so large in the Index) is not prudent from the standpoint of diversification.

The High Yield Income Fund, Inc. Management Team

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Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
-----			
LONG-TERM INVESTMENTS--137.4%			
CORPORATE BONDS--131.9%			
-----			
Aerospace--2.5%			
Alliant Techsystems, Inc., Sr. Sub. Notes	B2	8.50%	5/15/11
Aviall, Inc., Sr. Notes	B1	7.625	7/1/11
Esterline Technologies Corp., Sr. Sub. Notes	B1	7.75	6/15/13
GenCorp, Inc., Sr. Sub Notes	B2	9.50	8/15/13
K & F Industries, Inc., Sr. Sub. Notes, Ser. B	B3	9.25	10/15/07
-----			
Airlines--1.7%			
AMR Corp.,			
Deb.	Caa2	10.00	4/15/21
Notes, Ser. B	NR	10.40	3/10/11
Continental Airlines, Inc., Sr. Notes	Caa2	8.00	12/15/05
Delta Air Lines, Inc., Notes	B3	8.30	12/15/29
Northwest Airlines, Inc.,			
Gtd. Notes	Caa1	9.875	3/15/07
Notes	Caa1	8.875	6/1/06
Worldspan LP, Sr. Notes	B2	9.625	6/15/11
-----			
Automotive--1.3%			
ArvinMeritor, Inc., Notes	Baa3	8.75	3/1/12
Goodyear Tire & Rubber Co., Notes	B1	7.857	8/15/11
Lear Corp., Sr. Notes, Ser. B	Ba1	7.96	5/15/05
Standyne Automotive Corp., Sr. Sub. Notes, Ser. B	Caa1	10.25	12/15/07
TRW Automotive, Inc., Sr. Sub. Notes	B1	9.375	2/15/13
-----			
Building Materials & Components--2.3%			
American Standard, Inc., Sr. Unsec'd. Gtd. Notes	Ba2	7.375	4/15/05
Beazer Homes USA, Inc., Sr. Notes	Ba2	8.625	5/15/11
D.R. Horton, Inc., Notes	Ba1	8.00	2/1/09
KB HOME, Sr. Sub. Notes	Ba3	8.625	12/15/08

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Louisiana-Pacific Corp., Sr. Notes Ba1 8.50 8/15/05

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See Notes to Financial Statements. 5

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.  
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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
-----			
Building Materials & Components (cont'd.) Nortek, Inc., Sr. Sub. Notes, Ser. B	B3	9.875%	6/15/11
-----			
Business Services--2.3%			
Dex Media East LLC, Sr. Sub. Notes	B3	12.125	11/15/12
Dex Media West LLC, Sr. Sub. Notes	B3	9.875	8/15/13
Iron Mountain, Inc., Sr. Notes	B2	8.625	4/1/13
RH Donnelley Finance Corp., Sr. Sub. Notes	B2	10.875	12/15/12
-----			
Cable--6.3%			
Callahan Nordrhein-Westfalen, Sr. Disc. Notes, Zero Coupon (until 7/15/05) (Germany)	NR	Zero	7/15/10
Charter Communications Holdings LLC, Sr. Disc. Notes, Zero Coupon (until 5/15/06)	Ca	Zero	5/15/11
Sr. Notes	Ca	8.625	4/1/09
Sr. Notes	Ca	10.75	10/1/09
Sr. Notes	Ca	9.625	11/15/09
Sr. Notes	Ca	10.25	1/15/10
Sr. Notes	Ca	11.125	1/15/11
Sr. Notes	Ca	10.00	5/15/11
Comcast UK Cable Corp., Sr. Disc. Deb. (United Kingdom)	Caa2	11.20	11/15/07
EchoStar DBS Corp., Sr. Notes	Ba3	10.375	10/1/07
Sr. Notes	Ba3	9.125	1/15/09
Sr. Notes	Ba3	9.375	2/1/09
Mediacom LLC, Sr. Notes	B2	7.875	2/15/11
United Pan Europe, Sr. Disc. Notes, Ser. B, Zero Coupon (until 8/1/04) (Netherlands)	Ca	Zero	8/1/09
-----			
Chemicals--5.5%			
Equistar Chemicals Funding LP, Notes	BB-(f)	6.50	2/15/06
Sr. Notes	B1	10.625	5/1/11
Hercules, Inc., Deb.	Ba1	6.60	8/1/27
Huntsman Advanced Materials LLC, Sec'd. Notes	B2	11.00	7/15/10
Huntsman ICI Chemicals LLC, Sr. Sub. Notes	Caa1	10.125	7/1/09
IMC Global, Inc., Gtd. Notes, Ser. B	B1	11.25	6/1/11
Notes	B2	7.625	11/1/05

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 See Notes to Financial Statements. 6

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.  
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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
-----			
Chemicals (cont'd.)			
ISP Chemco, Inc., Notes, Ser. B	B2	10.25%	7/1/11
Lyondell Chemical Co., Sr. Sub. Notes	B2	10.875	5/1/09
OM Group, Inc., Sr. Sub. Notes	Caa1	9.25	12/15/11
Rhodia SA, Sr. Sub. Notes	Ba3	8.875	6/1/11
Rockwood Specialties, Inc., Sr. Sub. Notes	B3	10.625	5/15/11
-----			
Computer Services--0.8%			
Unisys Corp.,			
Sr. Notes	Ba1	7.25	1/15/05
Sr. Notes	Ba1	8.125	6/1/06
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Containers--5.0%			
Anchor Glass Container Corp., Sr. Sec'd. Notes	B2	11.00	2/15/13
Berry Plastics Corp., Sr. Sub. Notes	B3	10.75	7/15/12
BWAY Corp., Sr. Sub Notes	B3	10.00	10/15/10
Crown European Holdings S.A., Sr. Sec'd. Notes (France)	B1	9.50	3/1/11
Graham Packaging Holdings Co.,			
Sr. Disc. Notes, Ser. B	Caa2	10.75	1/15/09
Sr. Sub. Notes, Ser. B	Caa1	8.75	1/15/08
Greif Bros. Corp., Sr. Sub. Notes	B2	8.875	8/1/12
Owens-Brockway Glass Container,			
Sr. Sec'd. Notes	B1	7.75	5/15/11
Sr. Sec'd. Notes	B1	8.75	11/15/12
Silgan Holdings, Inc., Sr. Sub. Deb.	B1	9.00	6/1/09
U.S. Can Corp.,			
Sr. Sec'd. Notes	B3	10.875	7/15/10
Sr. Sub. Notes, Ser. B	Caa1	12.375	10/1/10
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Diversified Manufacturing Operations--1.0%			
AMSTED Industries, Inc., Sr. Notes	B3	10.25	10/15/11
Tyco Int'l. Group S.A.,			
Gtd. Notes (Luxembourg)	Ba2	6.125	11/1/08
Gtd. Notes (Luxembourg)	Ba2	6.75	2/15/11
Notes (Luxembourg)	Ba2	6.375	10/15/11

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See Notes to Financial Statements. 7

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
<hr/>			
Education--0.4%			
Kindercare Learning Center, Inc., Sr. Sub. Notes, Ser. B	B3	9.50%	2/15/09
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Electric Utilities--10.0%			
AES Corp.,			
Sr. Notes	B3	9.50	6/1/09
Sr. Notes	B3	9.375	9/15/10
Sr. Sec'd. Notes	B2	8.75	5/15/13
AES Drax Holdings Ltd., Sr. Sec'd. Notes, Ser. B (Cayman Islands)	Caa2	10.41	12/31/20
AES Eastern Energy LP, Pass-Through Cert., Ser 99-A	Ba1	9.00	1/2/17
Aquila, Inc., Sr. Notes	Caa1	7.95	2/1/11
Calpine Corp.,			
Sr. Notes	B1	8.50	2/15/11
Sr. Sec'd. Notes	B(f)	8.75	7/15/13
Cogentrix Energy, Inc.,			
Sr. Notes	B1	8.10	3/15/04
Sr. Notes, Ser. B	B1	8.75	10/15/08
Edison Mission Energy, Sr. Notes	B2	7.73	6/15/09
Empresa Nacional de Electricidad, Notes (Chile)	Ba3	8.35	8/1/13
Homer City Funding LLC, Gtd. Notes	Ba2	8.137	10/1/19
Midland Funding Corp.,			
Deb., Ser. A	Ba3	11.75	7/23/05
Deb., Ser. B	Ba3	13.25	7/23/06
Mirant Americas Generation LLC, Sr. Notes	D(f)	7.20	10/1/08
Mirant Corp., Sr. Notes	NR	7.40	7/15/04
Mirant Mid-Atlantic LLC, Pass-Through Cert., Ser. A	D(f)	8.625	6/30/12
Orion Power Holdings, Inc., Sr. Notes	B2	12.00	5/1/10
Reliant Energy, Inc., Mid-Atlantic, Ser. C	B1	9.681	7/2/26
TECO Energy, Inc., Sr. Notes	Ba1	7.50	6/15/10
Westar Energy, Inc., First Mtge.	Ba1	7.875	5/1/07
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Electronic Components--1.3%			
Flextronics International Ltd., Sr. Sub. Notes (Singapore)	Ba2	6.50	5/15/13
L-3 Communications Corp., Sr. Sub. Notes	Ba3	7.625	6/15/12
ON Semiconductor Corp., Gtd. Notes	Caa1	12.00	5/15/08
Sanmina-SCI Corp., Sr. Sec'd. Notes	Ba2	10.375	1/15/10
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Energy--2.6%			
Arch Western Finance LLC, Sr. Notes	Ba2	6.75	7/1/13
El Paso Corp., Sr. Notes	Caa1	7.00	5/15/11
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See Notes to Financial Statements. 8

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
-----			
Energy (cont'd.)			
Gemstone Investors Ltd.	Caa1	7.71%	10/31/04
Peabody Energy Corp., Gtd. Notes	Ba3	6.875	3/15/13
SEMCO Energy, Inc., Sr. Notes	Ba2	7.125	5/15/08
-----			
Environmental Services--2.8%			
Allied Waste North America, Inc., Sr. Notes	Ba3	8.50	12/1/08
Sr. Notes, Ser. B	Ba3	7.625	1/1/06
Sr. Notes, Ser. B	Ba3	7.875	1/1/09
Sr. Notes, Ser. B	B2	10.00	8/1/09
Browning Ferris Industries, Inc.	Ba3	7.40	9/15/35
-----			
Financial Services--1.5%			
Chevy Chase Savings Bank, Sub. Deb.	Ba3	9.25	12/1/05
Sovereign Bancorp, Inc., Sr. Notes	Ba1	10.50	11/15/06
TD Funding Corp., Gtd. Notes	B3	8.375	7/15/11
Western Financial Bank, F.S.B., Sr. Sub. Deb.	B1	8.875	8/1/07
-----			
Foods--2.7%			
Agrilink Foods, Inc., Sr. Sub. Notes	B3	11.875	11/1/08
Del Monte Corp., Sr. Sub. Notes	B2	8.625	12/15/12
Dole Foods Co., Inc., Gtd. Notes	B2	7.25	6/15/10
Sr. Notes	B2	8.625	5/1/09
Sr. Notes	B2	8.875	3/15/11
Domino's, Inc., Sr. Sub. Notes	B3	8.25	7/1/11
Merisant Co., Gtd. Notes	B2	9.50	7/15/13
National Beef Packing Co. LLC, Sr. Notes	B2	10.50	8/1/11
Smithfield Foods, Inc., Notes	Ba2	7.75	5/15/13
Sr. Notes, Ser. B	Ba2	8.00	10/15/09
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Funeral Services--0.4%			
Service Corp. International, Sr. Notes	B1	6.00	12/15/05

See Notes to Financial Statements. 9

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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
-----			
Gaming--6.0%			
Argosy Gaming Co., Sr. Sub. Notes	B2	9.00%	9/1/11
Aztar Corp., Sr. Sub. Notes	Ba3	8.875	5/15/07
Boyd Gaming Corp., Sr. Sub. Notes	B1	8.75	4/15/12
Circus Circus Enterprises, Inc., Deb.	Ba2	6.70	11/15/96
Coast Hotels & Casinos, Inc., Sr. Sub. Notes	B2	9.50	4/1/09
Isle of Capri Casinos, Inc., Sr. Sub. Notes	B2	9.00	3/15/12
Mandalay Resort Group, Sr. Notes	Ba2	9.50	8/1/08
Sr. Notes	Ba2	6.50	7/31/09
Mohegan Tribal Gaming Authority, Sr. Sub. Notes	Ba3	6.375	7/15/09
Sr. Sub. Notes	Ba3	8.00	4/1/12
Park Place Entertainment Corp., Sr. Notes	Ba1	7.50	9/1/09
Sr. Sub. Notes	Ba2	8.125	5/15/11
Station Casinos, Inc., Sr. Sub. Notes	B2	9.875	7/1/10
Venetian Casino Resort LLC, Second Mtge.	B3	11.00	6/15/10
Wynn Las Vegas LLC, Second Mtge.	B3	12.00	11/1/10
-----			
Gas Pipelines--5.8%			
Dynegy Holdings, Inc., Deb.	Caa2	7.125	5/15/18
Deb.	Caa2	7.625	10/15/26
Sr. Notes	Caa2	8.75	2/15/12
El Paso Production Holding Co., Gtd. Notes	B2	7.75	6/1/13
Leviathan Gas Pipeline Corp., Sr. Sub. Notes, Ser. B	B1	10.375	6/1/09
Plains All American Pipeline, Notes	Ba2	7.75	10/15/12
Southern Natural Gas Co., Sr. Notes	B1	8.875	3/15/10
Tennessee Gas Pipeline Co., Deb.	B1	7.00	3/15/27
Deb.	B1	7.00	10/15/28
Deb.	B1	7.625	4/1/37
TransMontaigne, Inc., Sr. Sub. Notes	B3	9.125	6/1/10
Williams Cos., Inc., Notes	B3	9.25	3/15/04
Notes	B3	7.125	9/1/11
Notes	B3	8.125	3/15/12

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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
Health Care--10.4%			
Alliance Imaging, Inc., Sr. Sub. Notes	B3	10.375%	4/15/11
Concentra Operating Corp., Sr. Sub. Notes	B3	13.00	8/15/09
Coventry Health Care, Inc., Sr. Notes	Ba3	8.125	2/15/12
Fresenius Medical Care Capital Trust IV	Ba2	7.875	6/15/11
Hanger Orthopedic Group, Inc., Sr. Sub. Notes	B-(f)	11.25	6/15/09
HCA, Inc.,			
Deb.	Ba1	8.36	4/15/24
Deb.	Ba1	7.50	11/15/95
Notes	Ba1	7.125	6/1/06
Notes	Ba1	7.69	6/15/25
HEALTHSOUTH Corp.,			
Sr. Notes	Caa2	6.875	6/15/05
Sr. Notes	Caa2	8.50	2/1/08
Magellan Health Services, Inc., Sr. Notes	D(f)	9.375	11/15/07
Medco Health Solutions, Inc., Sr. Notes	Ba1	7.25	8/15/13
MedQuest, Inc., Gtd. Notes, Ser. B	B3	11.875	8/15/12
Omnicare, Inc., Sr. Sub. Notes	Ba2	6.125	6/1/13
Res-Care, Inc., Sr. Notes	B2	10.625	11/15/08
Rotech Healthcare, Inc., Sr. Sub. Notes	B2	9.50	4/1/12
Select Medical Corp.,			
Sr. Sub. Notes	B2	9.50	6/15/09
Sr. Sub. Notes	B2	7.50	8/1/13
Senior Housing Properties Trust, Sr. Notes	Ba2	8.625	1/15/12
Tenet Healthcare Corp.,			
Sr. Notes	Ba3	6.375	12/1/11
Sr. Notes	Ba3	6.50	6/1/12
Triad Hospitals Holdings, Inc.,			
Sr. Notes, Ser. B	B1	8.75	5/1/09
Sr. Sub. Notes, Ser. B	B2	11.00	5/15/09
Ventas Realty LP,			
Sr. Notes	Ba3	8.75	5/1/09
Sr. Notes	Ba3	9.00	5/1/12
-----			
Industrials--3.0%			
Actuant Corp., Sr. Sub. Notes	B2	13.00	5/1/09
Coinmach Corp., Sr. Notes	B2	9.00	2/1/10
Gentek, Inc., Sr. Sub. Notes	NR	11.00	8/1/09
International Wire Group, Inc., Sr. Sub. Notes	Ca	11.75	6/1/05
Manitowoc Co., Inc., Sr. Sub. Notes	B2	10.50	8/1/12
Motors & Gears, Inc., Sr. Notes, Ser. D	Caa1	10.75	11/15/06

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Moody's Rating	Interest	Maturity
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Description	(Unaudited)	Rate	Date
-----			
Industrials (cont'd.)			
United Rentals, Inc., Ser. B	B2	9.50%	6/1/08
Sr. Notes	B1	10.75	4/15/08
-----			
Leisure--1.5%			
Regal Cinemas, Inc., Sr. Sub. Notes	B2	9.375	2/1/12
Royal Caribbean Cruises Ltd., Sr. Notes (Liberia)	Ba2	8.125	7/28/04
Sr. Notes (Liberia)	Ba2	8.00	5/15/10
Six Flags, Inc., Sr. Notes	B2	9.75	6/15/07
-----			
Lodging--9.7%			
Extended Stay America, Inc., Sr. Sub. Notes	B2	9.875	6/15/11
Felcor Suites LP, Gtd. Notes	B1	7.625	10/1/07
Felcore Lodging LP, Sr. Notes	B1	9.50	9/15/08
Hilton Hotels Corp., Notes	Ba1	7.625	12/1/12
HMH Properties, Inc., Sr. Notes, Ser. B	Ba3	7.875	8/1/08
Host Marriott LP, Gtd. Notes, Ser. E	Ba3	8.375	2/15/06
Sr. Notes	Ba3	9.50	1/15/07
ITT Corp., Notes	Ba1	6.75	11/15/05
Notes	Ba1	7.375	11/15/15
Kerzner International Ltd., Sr. Sub. Notes (Bahamas)	B2	8.875	8/15/11
La Quinta Inns, Inc., Sr. Notes	Ba3	7.40	9/15/05
La Quinta Properties, Inc., Sr. Notes	Ba3	8.875	3/15/11
MGM MIRAGE, Sr. Sub. Notes	Ba2	9.75	6/1/07
Starwood Hotels & Resorts Worldwide, Inc., Notes	Ba1	6.75	11/15/03
Notes	Ba1	7.375	5/1/07
Notes	Ba1	7.875	5/1/12
-----			
Machinery--2.0%			
Case New Holland, Inc., Sr. Notes	Ba3	9.25	8/1/11
Columbus McKinnon Corp., Sr. Sec'd. Notes	B3	10.00	8/1/10
Rexnord Corp., Sr. Sub. Notes	B3	10.125	12/15/12

See Notes to Financial Statements. 12

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
-----			

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Machinery (cont'd.)

Terex Corp.,			
Sr. Sub. Notes	B3	8.875%	4/1/08
Sr. Sub. Notes	B3	9.25	7/15/11
Sr. Sub. Notes, Ser. B	B3	10.375	4/1/11

Media--6.6%

Alliance Atlantis Commerce, Inc., Sr. Sub. Notes (Canada)	B1	13.00	12/15/09
American Color Graphics, Inc., Sr. Sec'd. Notes	B3	10.00	6/15/10
American Media Operations, Inc., Ser. B	B2	10.25	5/1/09
CanWest Media, Inc., Sr. Notes (Canada)	B1	7.625	4/15/13
Sr. Sub. Notes (Canada)	B2	10.625	5/15/11
Gray Television, Inc., Sr. Sub. Notes	B3	9.25	12/15/11
Moore North America Finance, Inc., Sr. Notes	B1	7.875	1/15/11
Quebecor Media, Inc., Sr. Disc. Notes, Zero Coupon (until 7/15/06) (Canada)	B2	Zero	7/15/11
Sinclair Broadcast Group, Inc., Gtd. Notes	B2	8.00	3/15/12
Sr. Sub. Notes	B2	8.75	12/15/11
Sun Media Corp., Gtd. Notes (Canada)	Ba3	7.625	2/15/13
Susquehanna Media Co., Sr. Sub. Notes	B1	7.375	4/15/13
Vertis, Inc., Sec'd Notes	B2	9.75	4/1/09
Vivendi Universal SA, Sr. Notes	B1	6.25	7/15/08

Metals--2.2%

AK Steel Corp., Gtd. Notes	B2	7.875	2/15/09
Sr. Notes	B2	7.75	6/15/12
Century Aluminum Co., First Mtge. Notes	B1	11.75	4/15/08
EuraMax International, Ltd., Sr. Sub. Notes	B2	8.50	8/15/11
Joy Global, Inc., Sr. Sub. Notes, Ser. B	B2	8.75	3/15/12
Sheffield Steel Corp., Sr. Sec'd. Notes	NR	10.00	4/30/07
UCAR Finance, Inc.	B3	10.25	2/15/12

See Notes to Financial Statements. 13

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
Oil & Gas Exploration/Production--7.0%			
AmeriGas Partners & Eagle, Sr. Notes	B2	8.875%	5/20/11
Ferrellgas Partners LP, Sr. Notes	B2	8.75	6/15/12
Forest Oil Corp., Sr. Notes	Ba3	8.00	6/15/08

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Sr. Notes	Ba3	8.00	12/15/11
GulfTerra Energy Partners LP, Sr. Notes	Ba3	6.25	6/1/10
Hanover Equipment Trust, Sec'd. Notes, Ser. A	B2	8.50	9/1/08
Sec'd. Notes, Ser. B	B2	8.75	9/1/11
Houston Exploration Co., Sr. Sub. Notes	B2	7.00	6/15/13
Magnum Hunter Resources, Inc., Sr. Notes	B2	9.60	3/15/12
Offshore Logistics, Inc., Gtd. Notes	Ba2	6.125	6/15/13
Parker & Parsley Petroleum Co., Sr. Notes	Ba1	8.25	8/15/07
Parker Drilling Co., Sr. Notes, Ser. D	B2	9.75	11/15/06
Premcor Refining Group, Inc., Sr. Notes	Ba3	9.50	2/1/13
Sr. Notes	Ba3	7.50	6/15/15
Pride International, Inc., Sr. Notes	Ba2	9.375	5/1/07
Stone Energy Corp., Sr. Sub. Notes	B2	8.25	12/15/11
Tesoro Petroleum Corp., Sec'd. Notes	Ba3	8.00	4/15/08
Vintage Petroleum, Inc., Sr. Notes	Ba3	8.25	5/1/12

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Paper & Packaging--4.2%			
Cascades, Inc., Sr. Notes (Canada)	Ba1	7.25	2/15/13
Georgia-Pacific Corp., Deb.	Ba3	8.125	6/15/23
Deb.	Ba3	8.625	4/30/25
Notes	Ba3	8.125	5/15/11
Sr. Notes	Ba2	9.375	2/1/13
Graphic Packaging International Corp., Sr. Sub. Notes	B3	9.50	8/15/13
Jefferson Smurfit Corp., Gtd. Notes	B2	7.50	6/1/13
Norampac, Inc., Sr. Notes	Ba2	6.75	6/1/13
Smurfit-Stone Container, Sr. Notes	B2	8.25	10/1/12
Stone Container Corp., Sr. Notes	B2	8.375	7/1/12
Stone Container Finance Co., Sr. Sub. Notes (Canada)	B2	11.50	8/15/06

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Real Estate--0.7%			
Intrawest Corp., Sr. Notes (Canada)	B1	10.50	2/1/10

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See Notes to Financial Statements. 14

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
Restaurants--2.2%			
Carrols Corp., Sr. Sub. Notes	B3	9.50%	12/1/08
Yum! Brands, Inc., Sr. Notes	Ba1	7.45	5/15/05
Sr. Notes	Ba1	8.875	4/15/11

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Retail--4.0%			
AutoNation, Inc., Sr. Notes	Ba2	9.00	8/1/08
Dillard's, Inc., Notes	Ba3	6.43	8/1/04
Group 1 Automotive, Inc., Sr. Sub Notes	B1	8.25	8/15/13
J.C. Penney Co., Inc., Deb.	Ba3	7.40	4/1/37
Rite Aid Corp.,			
Deb.	Caa2	6.875	8/15/13
Deb.	Caa2	7.70	2/15/27
Sec'd. Notes	B2	8.125	5/1/10
Saks, Inc.,			
Sr. Notes	B1	8.25	11/15/08
Sr. Notes	B1	7.375	2/15/19
Sonic Automotive, Inc., Sr. Sub. Notes	B2	8.625	8/15/13

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Supermarkets--1.6%			
Ahold Finance USA, Inc., Notes	B1	8.25	7/15/10
Delhaize America, Inc., Notes	Ba1	8.125	4/15/11
Great Atlantic & Pacific Tea Co., Inc., Notes	B3	7.75	4/15/07
Pantry, Inc., Sr. Sub. Notes	B3	10.25	10/15/07

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Technology--3.2%			
Xerox Capital (Europe) PLC, Notes (United Kingdom)	B1	5.875	5/15/04
Xerox Corp.,			
Notes	B1	6.25	11/15/26
Sr. Notes	B1	9.75	1/15/09
Sr. Notes	B1	7.125	6/15/10

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Telecommunications--10.4%			
ACC Escrow Corp., Sr. Notes	B2	10.00	8/1/11
Crown Castle International Corp., Sr. Notes	B3	10.75	8/1/11
Dobson Communications Corp., Sr. Notes	B3	10.875	7/1/10
Eircom Funding, Sr. Sub. Notes	B1	8.25	8/15/13

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See Notes to Financial Statements. 15

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

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Description	Moody's Rating (Unaudited)	Interest Rate	Maturity Date
Telecommunications (cont'd.)			
Lucent Technologies, Inc., Notes	Caa1	5.50%	11/15/08
Nextel Communications, Inc.,			
Sr. Notes	B2	9.95	2/15/08
Sr. Notes	B2	9.375	11/15/09
Sr. Notes	B2	7.375	8/1/15
Nextel Partners, Inc., Sr. Notes	Caa1	8.125	7/1/11
Qwest Capital Funding, Inc.,			

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Gtd. Notes	Caa2	5.875	8/3/04
Notes	Caa2	6.25	7/15/05
Notes	Caa2	7.75	8/15/06
Qwest Services Corp., Notes	CCC+(f)	13.50	12/15/10
Rogers Wireless, Inc., Sr. Sec. Notes (Canada)	Ba3	9.625	5/1/11
Telus Corp., Notes (Canada)	Ba1	8.00	6/1/11
Triton PCS, Inc., Sr. Sub. Notes	B2	8.50	6/1/13
Verizon Wireless Capital, Notes	A3	5.375	12/15/06

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Tobacco--0.1%			
DIMON, Inc., Sr. Notes, Ser. B	Ba3	9.625	10/15/11

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Transportation--0.9%			
Stena AB,			
Sr. Notes (Sweden)	Ba3	8.75	6/15/07
Sr. Notes (Sweden)	Ba3	9.625	12/1/12

Total corporate bonds (cost \$77,183,397)

ASSET BACKED SECURITIES--0.1%			
Continental Airlines, Inc., Ser. 96-C (cost \$100,361)	B3	9.50	10/15/13

CONVERTIBLE BONDS--1.2%			
Nortel Networks Corp. (Canada)	B3	4.25	9/1/08
Solectron Corp.	Ba3	Zero	11/20/20
Tyco Int'l. Group S.A. (Luxembourg)			
Sr. Notes	Ba2	2.75	1/15/18
Sr. Notes	Ba2	3.125	1/15/23

Total convertible bonds (cost \$663,471)

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See Notes to Financial Statements. 16

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

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Description	Shares	Value (Note 1)
COMMON STOCKS--1.0%		
IMPSAT Fiber Networks, Inc.	2,170 (c)	\$ 19,205
NTL, Inc.	2,738 (c)	110,177
PSF Group Holdings, Inc., Class A	279 (c) (e)	418,860
Sheffield Steel Corp.	10,579 (c)	42,316
Star Gas Partners, LP	308	6,576
Stellex Aerostructures, Inc.	107 (c) (e)	0
UnitedGlobalCom, Inc., Class A	2 (c)	13
Total common stocks (cost \$1,110,406)		597,147
PREFERRED STOCKS--3.2%		
CSC Holdings, Inc., 11.125%, Payment in Kind	6,658	695,761



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CSC Holdings, Inc., 11.75%, Payment in Kind, Ser. H	5,640	592,200
InterAct Systems, Inc., Ser. B, 14.00%	1,100 (c) (e)	11
McLeodUSA, Inc., Ser. A	1,868 (c)	10,573
Paxson Communications Corp., 14.25%, Payment in Kind	47	432,400
Primedia, Inc., Ser. D, 10.00%	2,335	219,490
		-----
Total preferred stocks (cost \$2,488,091)		1,950,435
		-----

Description	Warrants	Value (Note 1)
-----		
WARRANTS(c)		
Intelcom Group, Inc., expiring 9/15/05 (Canada)	9,900 (d)	\$ 99
InterAct Electronic Marketing, Inc., expiring 12/15/09	1,100	11
McLeodUSA, Inc., expiring 4/16/07	4,141	1,532
MGC Communications, Inc., expiring 10/1/04	200	3
Pagemart Nationwide, Inc., expiring 12/31/03	4,600 (e)	5
Sterling Chemical Holdings, Inc., expiring 8/15/08	140	1
Telus Corp., expiring 9/15/05 (Canada)	4,049 (d) (e)	4
Viasystems Group Inc., expiring 1/31/10	10,871 (e)	11
XM Satellite Radio, Inc., expiring 3/15/10	150	2
		-----
Total warrants (cost \$321,872)		1,668
		-----
Total long-term investments (cost \$81,867,598)		83,053,090
		-----

See Notes to Financial Statements. 17

Portfolio of Investments as of August 31, 2003 THE HIGH YIELD INCOME FUND, INC.

Description	Interest Rate	Maturity Date
-----		
SHORT-TERM INVESTMENT--0.5%		
Joint Repurchase Agreement Account, (cost \$316,000; Note 5)	1.093%	9/2/03
Total Investments--137.9%		
(cost \$82,183,598; Note 4)		

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Liabilities in excess of other assets--( 37.9%)

Net Assets--100.0%

- 
- (a) Total or partial principal amount segregated as collateral for line of credit. Aggregate value of segregated securities--\$52,945,028; (Note 6).
  - (b) Issuer in default on interest payment, non-income producing security.
  - (c) Non-income producing securities.
  - (d) US \$ Denominated Bonds-Foreign Issuers.
  - (e) Fair-valued security--value is determined by the Valuation Committee or Board of Directors in consultation with the investment adviser.
  - (f) Standard & Poor's.

NR--Not rated by Moody's or Standard & Poor's.

The Fund's current Statement of Additional Information contains a description of Moody's and Standard & Poor's ratings.

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See Notes to Financial Statements.            18

### THE HIGH YIELD INCOME FUND, INC. Statement of Assets and Liabilities

Assets	August 31, 2003
Investments, at value (cost \$82,183,598).....	\$ 83,369,090
Cash.....	439
Interest and dividend receivable.....	1,729,414
Receivable for investments sold.....	191,957
Other assets.....	1,025
	-----
Total assets.....	85,291,925
	-----
Liabilities	
Loan payable (Note 6).....	24,500,000
Loan interest payable.....	123,150
Accrued expenses.....	101,806
Deferred directors' fees.....	67,263
Management fee payable.....	53,399
Dividends payable.....	38
	-----
Total liabilities.....	24,845,656
	-----
Net Assets.....	\$ 60,446,269
	-----
Net assets were comprised of:	
Common stock, at par.....	\$ 115,165
Paid-in capital in excess of par.....	89,525,599
	-----
Undistributed net investment income.....	89,640,764
Accumulated net realized loss on	
investments.....	(30,895,757)
Net unrealized appreciation on	
investments.....	1,185,492

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Net assets, August 31, 2003.....	\$ 60,446,269
<hr/>	
Net asset value and redemption price per share (\$60,446,269 / 11,516,533 shares of common stock issued and outstanding).....	\$5.25
<hr/>	

THE HIGH YIELD INCOME FUND, INC.

Statement of Operations

	Year Ended August 31, 2003
Net Investment Income	
<hr/>	
Income	
Interest.....	\$ 7,001,176
Dividends.....	349,106
	<hr/>
	7,350,282
	<hr/>
Expenses	
Management fee.....	387,889
Custodian's fees and expenses.....	202,000
Reports to shareholders.....	45,000
Transfer agent's fees and expenses.....	42,000
Registration fees.....	35,000
Legal fees and expenses.....	35,000
Audit fee.....	30,000
Directors' fees and expenses.....	9,000
Miscellaneous.....	8,822
	<hr/>
Total operating expenses.....	794,711
Loan interest expense (Note 6).....	518,068
	<hr/>
Total expenses.....	1,312,779
	<hr/>
Net investment income.....	6,037,503
	<hr/>
Realized and Unrealized Gain (Loss) on Investments	
Net realized loss on:	
Investments.....	(1,353,682)
	<hr/>
Net change in net unrealized appreciation on investments.....	9,768,007
	<hr/>
Net gain on investments.....	8,414,325
	<hr/>
Net Increase in Net Assets Resulting from Operations.....	\$14,451,828
	<hr/>

See Notes to Financial Statements. 19

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THE HIGH YIELD INCOME FUND, INC.

### Statement of Cash Flows

	Year Ended August 31, 2003
Increase (Decrease) in Cash	-----
Cash flows provided from (used in) operating activities:	
Interest and dividends received (excluding discount and premium amortization of \$825,239).....	\$ 6,331,360
Operating expenses paid.....	(753,223)
Loan interest paid.....	(444,073)
Maturities of short-term portfolio investments, net.....	1,375,000
Purchases of long-term portfolio investments.....	(92,054,118)
Proceeds from disposition of long-term portfolio investments.....	87,934,885
Prepaid expenses.....	(9)
	-----
Net cash provided from operating activities.....	2,389,822
	-----
Cash flows provided from (used in) financing activities:	
Cash dividends paid (excluding reinvestment of dividends of \$388,051).....	(5,842,378)
Additional borrowing.....	3,500,000
Repayment of amount due to custodian.....	(47,005)
	-----
Net cash used in financing activities.....	(2,389,383)
Net increase in cash.....	439
Cash at beginning of year.....	0
	-----
Cash at end of year.....	\$ 439
	-----
Reconciliation of Net Increase in Net Assets to Net Cash Provided from (used in) Operating Activities	
Net increase in net assets resulting from operations.....	\$ 14,451,828
	-----
Increase in investments.....	(3,918,247)
Net realized loss on investment transactions...	1,353,682
Net change in net unrealized appreciation on investments.....	(9,768,007)
Increase in interest and dividends receivable.....	(193,683)
Decrease in receivable for investments sold....	502,558
Increase in prepaid expenses and other assets.....	(9)
Decrease in payable for investments purchased.....	(153,783)
Increase in accrued expenses and other liabilities.....	115,483
	-----
Total adjustments.....	(12,062,006)
	-----

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Net cash provided from operating activities....     \$ 2,389,822  
 -----  
 -----

THE HIGH YIELD INCOME FUND, INC.  
 Statement of Changes in Net Assets

	Year Ended August 31,	
Increase (Decrease) in Net Assets	2003	2002
Operations		
Net investment income.....	\$ 6,037,503	\$ 6,325,560
Net realized loss on investment transactions.....	(1,353,682)	(8,876,609)
Net change in net unrealized appreciation (depreciation) on investments.....	9,768,007	(1,228,275)
	14,451,828	(3,779,324)
Net increase (decrease) in net assets resulting from operations.....	14,451,828	(3,779,324)
Dividends paid to shareholders from net investment income.....	(6,199,416)	(6,330,687)
Net asset value of shares issued to shareholders in reinvestment of dividends.....	388,051	396,720
	8,640,463	(9,713,291)
Total increase (decrease).....	8,640,463	(9,713,291)
Net Assets		
Beginning of year.....	51,805,806	61,519,097
End of year(a).....	\$60,446,269	\$51,805,806
	-----	-----
	-----	-----
(a) Includes undistributed net investment income of.....	\$ 515,770	\$ 324,358
	-----	-----
	-----	-----

See Notes to Financial Statements.             20

Notes to Financial Statements

THE HIGH YIELD INCOME FUND, INC.

The High Yield Income Fund, Inc. (the 'Fund') was organized in Maryland on August 21, 1987 as a diversified, closed-end management investment company. The Fund's primary investment objective is to maximize current income to shareholders through investment in a diversified portfolio of high-yield, fixed-income securities rated in the medium to lower categories by recognized rating services, or nonrated securities of comparable quality. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The ability of issuers of debt securities held by the Fund to meet their obligations may be affected by economic or political developments in a specific industry or region.

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### Note 1. Accounting Policies

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

**Security Valuation:** Portfolio securities that are actively traded in the over-the-counter market, including listed securities for which the primary market is believed to be over-the-counter, are valued at market prices provided by principal market makers and pricing agents. Any security for which the primary market is on an exchange is valued at the last sales price on such exchange on the day of valuation or, if there was no sale on such day, the last bid price quoted on such day. Securities issued in private placements are valued at the bid price or the mean between the bid and asked prices, if available, provided by principal market makers. Any security for which a reliable market quotation is unavailable is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors.

Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost.

In connection with transactions in repurchase agreements with U.S. financial institutions, it is the Fund's policy that its custodian or designated subcustodians, as the case may be under triparty repurchase agreements, take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction including accrued interest. If the seller defaults and the value of the collateral declines, or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. The Fund's custodian will maintain, in a segregated account of the Fund, cash, U.S. Government securities, equity securities or other liquid, unencumbered assets marked to market daily, having a value equal to or greater than the Fund's purchase commitments with respect to certain investments.

The Fund may invest up to 20% of its total assets in securities which are not readily marketable, including those which are restricted as to disposition under securities law ('restricted securities').

**Cash Flow Information:** The Fund invests in securities and distributes dividends from net investment income which are paid in cash or are reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments is presented in the Statement of Cash Flows.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value, accruing income on PIK (payment-in-kind) securities and accreting market discounts and amortizing premiums on debt obligations.

**Security Transactions and Investment Income:** Security transactions are recorded on the trade date. Realized and unrealized gains (losses) from securities transactions are calculated on the identified cost basis. Interest income, which is comprised of stated coupon rate, original issue discount, market discount and premium, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Expenses are recorded on the accrual basis which may require the use of certain estimates by management.

**Federal Income Taxes:** It is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to shareholders. Therefore, no federal income tax provision is required.

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Dividends and Distributions: The Fund expects to pay dividends from net investment income monthly and make distributions at least annually of net capital gains, if any. Dividends and distributions are recorded on the ex-dividend date.

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

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### Note 2. Agreements

The Fund has a management agreement with Prudential Investments LLC ('PI'). Pursuant to this agreement, PI has responsibility for all investment advisory services and supervises the subadviser's performance of such services. PI has entered into a subadvisory agreement with Prudential Investment Management, Inc. ('PIM'). PIM furnishes investment advisory services in connection with the management of the Fund. PI pays for the services of PIM, the compensation of officers and employees of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid to PI is computed weekly and payable monthly, at an annual rate of .70 of 1% of the average weekly net assets of the Fund.

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Notes to Financial Statements

THE HIGH YIELD INCOME FUND, INC.

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PI and PIM are indirect, wholly-owned subsidiaries of Prudential Financial, Inc. ('Prudential').

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### Note 3. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments, for the year ended August 31, 2003 aggregated \$91,900,335 and \$88,681,258, respectively.

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### Note 4. Tax Information

Distributions to shareholders are determined in accordance with United States federal income tax regulation, which may differ from generally accepted accounting principles. In order to present undistributed net investment income and accumulated net realized gains (losses) on the Statement of Assets and Liabilities that more closely represent their tax character, certain adjustments have been made to undistributed net investment income and accumulated net realized gain (loss) on investments. For the year ended August 31, 2003, the adjustments were to increase accumulated net investment income by \$353,325, increase accumulated net realized loss on investments by \$90,360, and decrease paid-in capital in excess of par by \$262,965 primarily due to the difference in the treatment of accreting market discount between financial and tax reporting and the expiration of a capital loss carryforward in the current year. Net investment income, net realized losses and net assets were not affected by this change.

For the years ended August 31, 2003 and August 31, 2002, the tax character of

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total dividends paid, as reflected on the Statement of Changes in Net Assets, of \$6,199,416 and \$6,330,687, respectively, was ordinary income.

As of August 31, 2003, the accumulated undistributed earnings on a tax basis was \$515,808 (includes a timing difference of \$38 for dividends payable) of taxable ordinary income.

The United States federal income tax basis of the Fund's investments and the net unrealized appreciation as of August 31, 2003, were as follows:

Tax Basis of Investments	Appreciation	Depreciation	Net Unrealized Appreciation
\$ 82,895,975	\$ 4,534,479	\$ (4,061,364)	\$473,115

The difference between book basis and tax basis was attributable to deferred losses on wash sales and differences in the treatment of premium and market discount amortization for book and tax purposes.

For federal income tax purposes, the Fund has a capital loss carryforward as of August 31, 2003 of approximately \$29,314,600, of which \$5,569,500 expires in 2004, \$1,361,400 expires in 2007, \$3,336,700 expires in 2008, \$5,010,500 expires in 2009, \$6,960,200 expires in 2010 and \$7,076,300 expires in 2011. During the year ended August 31, 2003 the Fund had approximately \$263,000 of capital loss carryforward expire. In addition, the fund will elect to treat net capital losses of approximately \$868,800 incurred in the ten month period ended August 31, 2003 as having been incurred in the next year. Accordingly, no capital gains distribution is expected to be paid to shareholders until net realized gains have been realized in excess of such amounts.

### Note 5. Joint Repurchase Agreement Account

The Fund, along with other affiliated registered investment companies, transfers uninvested cash balances into a single joint account, the daily aggregate balance of which is invested in one or more repurchase agreements collateralized by U.S. Treasury or federal agency obligations. As of August 31, 2003, the Fund had a 0.16% undivided interest in the repurchase agreements in the joint account. The undivided interest for the Fund represented \$316,000 in principal amount. As of such date, each repurchase agreement in the joint account and the collateral therefore was as follows:

Bank of America, 1.08%, in the principal amount of \$64,477,000, repurchase price \$64,484,737, due 9/2/03. The value of the collateral including accrued interest was \$65,766,540.

Greenwich Capital Markets, 1.10%, in the principal amount of \$64,477,000, repurchase price \$64,484,881, due 9/2/03. The value of the collateral including accrued interest was \$65,768,753.

Merrill Lynch, 1.10%, in the principal amount of \$64,477,000, repurchase price \$64,484,881, due 9/2/03. The value of the collateral including accrued interest was \$65,767,244.

### Note 6. Borrowings

The Fund has approved a \$25,000,000 uncommitted line of credit with State Street Bank & Trust Co. Interest on any such borrowings outstanding fluctuates daily, at one percentage point over the Federal Funds rate.



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The average daily balance outstanding and the maximum face amount of borrowings outstanding at any month end for the year ended August 31, 2003 was \$22,286,301 and \$24,500,000 respectively, at a weighted average interest rate of 2.34%.

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Notes to Financial Statements

THE HIGH YIELD INCOME FUND, INC.

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### Note 7. Capital

There are 200 million shares of \$.01 par value common stock authorized. Prudential owned 11,000 shares of common stock as of August 31, 2003.

During the fiscal years ended August 31, 2003 and 2002 the Fund issued 80,566 and 75,218 shares, respectively, in connection with the reinvestment of dividends.

### Note 8. Dividends and Distributions

On September 3 and October 1, 2003 the Board of Directors of the Fund declared dividends of \$.0425 per share payable on September 30 and October 31, 2003 respectively, to shareholders of record on September 15 and October 15, 2003, respectively.

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Financial Highlights

THE HIGH YIELD INCOME FUND, INC.

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	Year Ended August 31,			
	2003	2002*	2001	2000
	-----	-----	-----	-----
<b>PER SHARE OPERATING PERFORMANCE:</b>				
Net asset value, beginning of year(a).....	\$ 4.53	\$ 5.42	\$ 6.07	\$ 6.
Net investment income.....	.52	.57	.62	.
Net realized and unrealized gain (loss) on investments.....	.74	(.90)	(.67)	(.
Total from investment operations.....	1.26	(.33)	(.05)	.
Dividends paid to shareholders from net investment income.....	(.54)	(.56)	(.60)	(.
Distributions to shareholders in excess of net investment income.....	--	--	--	(.
Return of capital distributions.....	--	--	--	(.
Total dividends and distributions.....	(.54)	(.56)	(.60)	(.
Net asset value, end of year(a).....	\$ 5.25	\$ 4.53	\$ 5.42	\$ 6.
	-----	-----	-----	-----

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Market price per share, end of year(a).....	\$ 5.23	\$ 4.67	\$ 5.95	\$ 5.
	-----	-----	-----	-----
TOTAL INVESTMENT RETURN(b).....	24.52%	(12.52)%	16.68%	(5.
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of year (000).....	\$60,446	\$51,806	\$61,519	\$68,6
Average net assets (000).....	\$55,261	\$56,741	\$64,140	\$71,2
Ratios to average net assets:				
Expenses, before loan interest.....	1.44%	1.31%	1.23%	1.
Total expenses.....	2.38%	2.33%	3.11%	2.
Net investment income.....	10.93%	11.15%	11.00%	10.
Portfolio turnover rate.....	118%	133%	81%	
Asset coverage.....	347%	349%	424%	4
Total debt outstanding at year-end (000).....	\$24,500	\$21,000	\$19,000	\$21,0

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(a) NAV and market value are published in The Wall Street Journal each Monday.

(b) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the closing market price on the last day of each period reported. Dividends are assumed, for the purpose of this calculation, to be reinvested at prices obtainable under the Fund's dividend reinvestment plan. This amount does not reflect brokerage commissions.

(c) Less than \$.005 per share.

\* Effective September 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began accreting market discounts and amortizing premiums on debt securities. The effect of this change for the year ended August 31, 2002 was to decrease net investment income per share by \$0.02 and increase net realized and unrealized gain (loss) per share by \$0.02 and decrease the ratio of net investment income from 11.40% to 11.15%. Per share amounts and ratios for the years ended prior to August 31, 2002 have not been restated to reflect this change in presentation.

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See Notes to Financial Statements.                      24

Report of Independent Auditors    THE HIGH YIELD INCOME FUND, INC.  
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To the Board of Directors and Shareholders of  
The High Yield Income Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations, of cash flows and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The High Yield Income Fund, Inc. (the 'Fund') at August 31, 2003, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as 'financial statements') are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan

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and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2003 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
October 22, 2003

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Tax Information (Unaudited)

THE HIGH YIELD INCOME FUND, INC.  
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We wish to advise you as to the federal tax status of dividends paid by the Fund during its fiscal year ended August 31, 2003.

During the fiscal year ended August 31, 2003, the Fund paid dividends of ordinary income of \$0.54 per share from net investment income. Further, we wish to advise you that 5.38% of the dividends taxable as ordinary income and paid in the fiscal year ended August 31, 2003 qualified for corporate dividend received deduction available to corporate taxpayers.

For the purpose of preparing your 2003 annual federal income tax return, however, you should report the amounts as reflected on the appropriate Form 1099 DIV which will be mailed to you in January 2004.

Other Information  
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A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll free (800) 451-6788 or by accessing the Commission's website at [www.sec.gov](http://www.sec.gov).  
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Management of the Fund (Unaudited)

THE HIGH YIELD INCOME FUND, INC.  
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Information pertaining to the Directors of the Fund is set forth below. Directors who are not deemed to be 'interested persons' of the Fund as defined in the Investment Company Act of 1940, as amended (the Investment Company Act or the 1940 Act) are referred to as 'Independent Directors.' Directors who are deemed to be 'interested persons' of the Fund are referred to as 'Interested Directors.' 'Fund Complex' (D) consists of the Fund and any other investment companies managed by PI.

Independent Directors(2)

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Delayne Dedrick Gold (65), Director since 1996(3)  
Oversees 89 portfolios in Fund complex  
Principal occupations (last 5 years): Marketing Consultant (1982-present);  
formerly Senior Vice President and Member of the Board of Directors,  
Prudential-Bache Securities, Inc.  
Other Directorships held:(4) None.

Robert E. La Blanc (69), Director since 2003(3)  
Oversees 119 portfolios in Fund complex  
Principal occupations (last 5 years): President (since 1981) of Robert E. La  
Blanc Associates, Inc. (telecommunications); formerly General Partner at Salomon  
Brothers and Vice-Chairman of Continental Telecom; Trustee of Manhattan  
College.  
Other Directorships held:(4) Director of Storage Technology Corporation (since  
1979) (technology), Chartered Semiconductor Manufacturing, Ltd. (since 1998);  
Titan Corporation (electronics) (since 1995), Computer Associates International,  
Inc. (since 2002) (software company); FiberNet Telecom Group, Inc. (since 2003)  
(telecom company); Director (since April 1999) of the High Yield Plus Fund,  
Inc.

Douglas H. McCorkindale (64), Director since 2003(3)  
Oversees 101 portfolios in Fund complex  
Principal occupations (last 5 years): Chairman (since February 2001), Chief  
Executive Officer (since June 2000) and President (since September 1997) of  
Gannett Co. Inc. (publishing and media); formerly Vice Chairman (March 1984-May  
2000) of Gannett Co., Inc.  
Other Directorships held:(4) Director of Gannett Co. Inc.; Director of  
Continental Airlines, Inc. (since May 1993); Director of Lockheed Martin Corp.  
(aerospace and defense) (since May 2001); Director of The High Yield Plus  
Fund, Inc. (since 1996).

Thomas T. Mooney (61), Director since 1996(3)  
Oversees 81 portfolios in Fund complex  
Principal occupations (last 5 years): Chief Executive Officer, the Rochester  
Business Alliance, formerly President of the Greater Rochester Metro Chamber of  
Commerce, Rochester City Manager; formerly Deputy Monroe County Executive;  
Director of Blue Cross of Rochester and Executive Service Corps of Rochester;  
Director of the Rochester Individual Practice Association; Director of Rural  
Metro Ambulance Rochester (since 2003).  
Other Directorships held:(4) Director (since 1998) of The High Yield Plus Fund,  
Inc.

Stephen P. Munn (61), Director since 1999(3)  
Oversees 107 portfolios in Fund complex  
Principal occupations (last 5 years): Chairman of the Board (since 1994) and  
formerly Chief Executive Officer (1988-2001) and President of Carlisle Companies  
Incorporated.  
Other Directorships held:(4) Chairman of the Board (since January 1994) and  
Director (since 1988) of Carlisle Companies Incorporated (manufacturer of  
industrial products); Director of Gannett Co. Inc. (publishing and media).

Richard A. Redeker (60), Director since 1993(3)  
Oversees 102 portfolios in Fund complex  
Principal occupations (last 5 years): Management Consultant; formerly employee  
of Prudential Investments (October 1996-December 1998); Director of Invesmart,  
Inc. (since 2001) and Director of Penn Tank Lines, Inc. (since 1999)  
Other Directorships held:(4) None.

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Management of the Fund (Unaudited)

THE HIGH YIELD INCOME FUND, INC.

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Robin B. Smith (63), Director since 2003(3)  
Oversees 109 portfolios in Fund complex  
Principal occupations (last 5 years): Chairman of the Board (since January 2003) of Publishers Clearing House (direct marketing), formerly Chairman and Chief Executive Officer (August 1996-January 2003) of Publishers Clearing House.  
Other Directorships held:(4) Director of BellSouth Corporation (since 1992).

Stephen Stoneburn (60), Director since 2003(3)  
Oversees 107 portfolios in Fund complex  
Principal occupations (last 5 years): President and Chief Executive Officer (since June 1996) of Quadrant Media Corp. (a publishing company); formerly President (June 1995-June 1996) of Argus Integrated Media, Inc.; Senior Vice President and Managing Director (January 1993-1995) of Cowles Business Media and Senior Vice President of Fairchild Publications, Inc. (1975-1989).  
Other Directorships held:(4) None

Louis A. Weil, III (62), Director since 1996(3)  
Oversees 81 portfolios in Fund complex  
Principal occupations (last 5 years): Formerly Chairman (January 1999-July 2000), President and Chief Executive Officer (January 1999-July 2000) and Director (since September 1991) of Central Newspapers, Inc.; formerly Chairman of the Board (January 1999-July 2000), Publisher and Chief Executive Officer (August 1991-December 1995) of Phoenix Newspapers, Inc.  
Other Directorships held:(4) None.

Interested Directors(1)

Judy A. Rice (55), President since 2003 and Director since 2000  
Oversees 109 portfolios in Fund complex  
Principal occupations (last 5 years): President, Chief Executive Officer, Chief Operating Officer and Officer-in-Charge (since 2003) of PI; Director, Officer-in-Charge, President, Chief Executive Officer and Chief Operating Officer (since May 2003) of American Skandia Advisory Services, Inc. and American Skandia Investment Services, Inc.; Director, Officer-in-Charge, President, Chief Executive Officer (since May 2003) of American Skandia Fund Services, Inc.; formerly various positions to Senior Vice President (1992-1999) of Prudential Securities; and various positions to Managing Director (1975-1992) of Salomon Smith Barney; Member of Board of Governors of the Money Management Institute.  
Other Directorships held:(4) None

Robert F. Gunia (56), Vice President and Director since 1996(3)  
Oversees 189 portfolios in Fund complex  
Principal occupations (last 5 years): Chief Administrative Officer (since June 1999) of PI; Executive Vice President and Treasurer (since January 1996) of PI; President (since April 1999) of Prudential Investment Management Services LLC (PIMS); Corporate Vice President (since September 1997) of The Prudential Insurance Company of America (Prudential); Director, Executive Vice President and Chief Administrative Officer (since May 2003) of American Skandia Investment Services, Inc., American Skandia Advisory Services, Inc. and American Skandia Fund Services, Inc.; formerly Senior Vice President (March 1987-May 1999) of Prudential Securities.  
Other Directorships held:(4) Vice President and Director (since May 1989) and Treasurer (since 1999) of The Asia Pacific Fund, Inc.

David R. Odenath, Jr. (46), Director since 1999(3)  
Oversees 80 portfolios in Fund complex

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Principal occupations (last 5 years): President of Prudential Annuities (since August 2002); Executive Vice President (since May 2003) of American Skandia Investments Services, Inc.; Chief Executive Officer and Director (since May 2003) of American Skandia Life Assurance Corporation, American Skandia Information Services and Technology Corporation and Skandia U.S. Inc.; President, Chief Executive Officer and Director (since May 2003) of American Skandia Marketing, Inc.; Formerly President, Chief Executive Officer, Chief Operating Officer and Officer-In-Charge (1999-2003) of PI; Senior Vice President (since June 1999) of Prudential; formerly Senior Vice President (August 1993-May 1999) of PaineWebber Group, Inc.  
Other Directorships held:(4) None.

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Management of the Fund (Unaudited) THE HIGH YIELD INCOME FUND, INC.  
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Information pertaining to the Officers of the Fund is set forth below.

### Officers(2)

Deborah A. Docs (45), Secretary since 1999; Assistant Secretary 1997-1999(3)  
Principal occupations (last 5 years): Vice President and Corporate Counsel (since January 2001) of Prudential; Vice President and Assistant Secretary (since December 1996) of PI, Vice President and Assistant Secretary (since May 2003) of American Skandia Investment Services, Inc.

Marguerite E.H. Morrison (47), Chief Legal Officer since 2003 and Assistant Secretary since 2002(3)  
Principal occupations (last 5 years): Vice President and Chief Legal Officer--Mutual Funds and Unit Investment Trusts (since August 2000) of Prudential; Senior Vice President and Secretary (since April 2003) of PI; Senior Vice President and Secretary (since May 2003) of American Skandia Investment Services, Inc., American Skandia Advisory Services, Inc. and American Skandia Fund Services, Inc.; Vice President and Assistant Secretary of PIMS (since October 2001), previously Senior Vice President and Assistant Secretary (February 2001-April 2003) of PI, Vice President and Associate General Counsel (December 1996-February 2001) of PI.

Grace C. Torres (44), Treasurer and Principal Financial and Accounting Officer since 1997(3)  
Principal occupations (last 5 years): Senior Vice President (since January 2000) of PI, Senior Vice President and Assistant Treasurer (since May 2003) of American Skandia Investment Services, Inc. and American Skandia Advisory Services, Inc.; formerly First Vice President (December 1996-January 2000) of PI and First Vice President (March 1993-1999) of Prudential Securities.

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1 'Interested' Director, as defined in the 1940 Act, by reason of employment with the Manager, PI), the Subadviser (Prudential Investment Management, Inc. or PIM) or the Distributor (Prudential Services LLC or PIMS).

2 Unless otherwise noted, the address of the Directors and Officers is c/o: Prudential Investment  
100 Mulberry Street, Newark, NJ 07102.

3 The Fund's Articles of Incorporation and Amended and Restated Bylaws provide that the Board  
three classes of Directors, as nearly equal in number as possible. Each Director serves for

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class being elected each year. In addition, the Board of Directors less adopted a retirement retirement of each Director on December 31 of the year in which the Director reaches the age number of years in which Director has served as a Director or Officers.

- 4 This includes only directorships of companies requested to register, or file reports with the Exchange Act of 1934 (that is, 'public companies') or other investment companies registered
- D The Fund Complex consists of all investment companies managed by PI. The Funds for which PI JennisonDryden Mutual Funds, Strategic Partners Funds, American Skandia Advisor Funds, Inc., Contract Accounts 2, 10, 11, The Target Portfolio Trust, The Prudential Series Fund, Inc., A Prudential's Gibraltar Fund.

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### DIRECTORS

Delayne Dedrick Gold  
Robert F. Gunia  
Robert E. LaBlanc  
Douglas H. McCorkindale  
Thomas T. Mooney  
Stephen P. Munn  
David R. Odenath, Jr.  
Richard A. Redeker  
Judy A. Rice  
Robin B. Smith  
Stephen Stoneburn  
Louis A. Weil, III

### OFFICERS

Judy A. Rice, President  
Robert F. Gunia, Vice President  
Grace C. Torres, Treasurer  
Deborah A. Docs, Secretary  
Marguerite E.H. Morrison, Chief Legal Officer  
and Assistant Secretary

### MANAGER

Prudential Investments LLC  
Gateway Center Three  
100 Mulberry Street  
Newark, NJ 07102-4077

### INVESTMENT ADVISER

Prudential Investment Management, Inc.  
Gateway Center Two  
Newark, NJ 07102

### CUSTODIAN

State Street Bank and Trust Company  
One Heritage Drive  
North Quincy, MA 02171

### TRANSFER AGENT

Equiserve, Inc.  
PO Box 43011  
Providence, RI 02940-3011

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INDEPENDENT AUDITORS  
PricewaterhouseCoopers LLP  
1177 Avenue of the Americas  
New York, NY 10036

LEGAL COUNSEL  
Shearman & Sterling LLP  
599 Lexington Avenue  
New York, NY 10022

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares.

The High Yield Income Fund, Inc.  
Gateway Center Three  
100 Mulberry Street  
Newark, NJ 07102-4077  
Toll free (800) 451-6788

The views expressed in this report and information about the Fund's holdings are for the period covered by this report and are subject to change thereafter.

The Prudential Insurance Company of America  
751 Broad Street  
Newark, NJ 07102

429904105  
HYIA

IFS-A084720

Item 2 - Code of Ethics - See Exhibit (a)

As of the end of the period covered by this report, the registrant has adopted a code of ethics (the "Section 406 Standards for Investment Companies - Ethical Standards for Principal Executive and Financial Officers") that applies to the registrant's Principal Executive Officer and Principal Financial Officer; the registrant's Principal Financial Officer also serves as the Principal Accounting Officer.

The registrant hereby undertakes to provide any person, without charge, upon request, a copy of the code of ethics. To request a copy of the code of ethics, contact the registrant at 973-367-7521, and ask for a copy of the Section 406 Standards for Investment Companies - Ethical Standards for Principal Executive and Financial Officers.

Item 3 - Audit Committee Financial Expert -

The registrant's Board has determined that Mr. Stephen Munn, member of the Board's Audit Committee is an "audit committee financial expert," and that he is "independent," for purposes of this Item.

Item 4 - Principal Accountant Fees and Services - Not required in this filing

Item 5 - Reserved

Item 6 - Reserved

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-



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End Management Investment Companies - See Exhibit (b)

Item 8 - Reserved

Item 9 - Controls and Procedures

- (a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.
- (b) There have been no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 10 - Exhibits

- (a) Code of Ethics - Attached hereto
- (b) Proxy voting policies - Attached hereto
- (c) Certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act - Attached hereto

### SIGNATURES

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

(Registrant) High Yield Income Fund, Inc.

By (Signature and Title)\* /s/Deborah A. Docs

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Deborah A. Docs  
Secretary

Date October 28, 2003

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

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By (Signature and Title)\* /s/Judy A. Rice

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Judy A. Rice

President and Principal Executive Officer

Date October 28, 2003

By (Signature and Title)\* /s/Grace C. Torres

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Grace C. Torres

Treasurer and Principal Financial Officer

Date October 28, 2003

\* Print the name and title of each signing officer under his or her signature.