

Western Asset Income Fund
Form N-CSRS
September 05, 2008

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: 811-02351

Western Asset Income Fund

Name of Registrant:

385 East Colorado Boulevard, Pasadena, CA 91101
Address of Principal Executive Offices:

Charles A. Ruys de Perez

385 East Colorado Boulevard

Pasadena, CA 91101

Name and address of agent for service:

Registrant's telephone number, including area code: (410) 539-0000

Date of fiscal year end: 12/31/2008

Date of reporting period: 06/30/2008

Item 1. Report to Shareholders.

Western Asset Income Fund

Semi-Annual Report to Shareholders

June 30, 2008

Semi-Annual Report to Shareholders

Fund Highlights

(Unaudited)

	Six Months Ended June 30, 2008	Year Ended December 31, 2007
Net Asset Value	\$133,197,160	\$142,029,227
Per Share	\$14.19	\$15.13
Market Value Per Share	\$13.14	\$13.50
Net Investment Income	\$4,736,409	\$8,929,405
Per Share	\$0.50	\$0.95
Dividends Paid:		
Ordinary Income	\$4,366,092	\$8,985,699
Per Share	\$0.47	\$0.96
Long-Term Capital Gains	\$423,463	\$1,504,189
Per Share	\$0.05	\$0.16

The Fund

Western Asset Income Fund (the Fund) is a closed-end, diversified management investment company which seeks for its shareholders a high level of current income through investment in a diversified portfolio of debt securities. Substantially all of the Fund's net investment income is distributed to its shareholders. A Dividend Reinvestment Plan is available to those shareholders of record desiring it. The Fund's common shares are listed on the New York Stock Exchange (NYSE) where they trade under the symbol PAI, and price quotations can be found in publications under the abbreviation WstAssetIncoFd.

Investment Policies

The Fund's investment policies provide that at the time of purchase, its portfolio must be invested in accordance with the following:

At least 75% of the Fund's total assets in debt securities rated within the four highest grades, and in government securities, bank debt, commercial paper, cash or cash equivalents.

Up to 25% in other fixed income securities, convertible bonds, convertible preferred and preferred stock.

Not more than 25% in securities restricted as to resale.

Dividend Reinvestment Plan and Optional Cash Investment Service

The Fund and Computershare Trust Company, N.A. (Computershare or the Agent), as the Transfer Agent and Registrar of the Fund, offer two convenient ways to add shares of the Fund to your account. First, the Fund offers to all shareholders a Dividend Reinvestment Plan (Plan). Under the Plan, cash distributions (e.g., dividends and capital gains) are automatically invested in shares of the Fund unless the shareholder elects otherwise. Second, the Fund offers to registered shareholders (those who own shares in their own name on the Fund's records) the option to purchase additional whole and partial shares of the Fund through the Optional Cash Investment Service (Optional Cash Investment Service).

Dividend Reinvestment Plan

As a participant in the Dividend Reinvestment Plan, you will automatically receive your dividend or net capital gains distribution in newly issued shares of the Fund if the market price of a share on the date of the distribution is at or above the net asset value (NAV) of a Fund share, minus estimated brokerage commissions that would be incurred upon the purchase of Fund shares on the open market. The number of shares to be issued to you will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the NAV per share on such date or 95% of the market price of a share on such date. If the market price of a share on such distribution date is below the NAV, minus estimated brokerage commissions that would be incurred upon the purchase of Fund shares on the open market, the Agent will, as agent for the participants, buy shares of the Fund s stock through a broker on the open market. The price per share of shares purchased for each participant s account with respect to a particular dividend or other distribution will be the average price (including brokerage commissions, transfer taxes and any other costs of purchase) of all shares purchased with respect to that dividend or other distribution. All shares of common stock acquired on your behalf through the Plan will be automatically credited to an account maintained on the books of the Agent. Full and fractional shares will be voted by Computershare in accordance with your instructions.

Semi-Annual Report to Shareholders

Fund Highlights Continued

Optional Cash Investment Service

Under the Optional Cash Investment Service (offered to registered shareholders only), funds received from shareholders for stock purchases will be pooled once per month. The Agent will then purchase shares of the Fund's stock through a broker on the open market. For the purposes of making purchases, the Agent will commingle each participant's funds with those of all other participants in the Plan. The Agent will hold the total shares purchased for all participants in its name or the name of its nominee and will have no responsibility for the value of such shares after their purchase.

Beneficial shareholders (those who own shares held in a brokerage, bank or other financial institution account) are not eligible to participate in this option because there is no way to make payments through a broker, bank or nominee. A beneficial shareholder may, however, have his or her shares taken out of street name and re-register such shares in his or her own name, becoming a registered shareholder in order to participate. If you wish to do so, please contact your broker, bank or nominee.

Additional Information Regarding the Plan and the Optional Cash Investment Service

The Fund will pay all costs applicable to the Plan and Optional Cash Investment Service, with the exceptions noted below. Brokerage commissions, transfer taxes and any other costs of purchase or sale by the Agent under the Plan or Optional Cash Investment Service will be charged to participants. In the event the Fund determines to no longer pay such costs, the Agent will terminate the Plan and Optional Cash Investment Service and may, but is not obligated to, offer a new plan under which it would impose a direct service charge on participants.

All shares acquired through the Plan or the Optional Cash Investment Service receive voting rights and are eligible for any stock split, stock dividend, or other rights accruing to shareholders that the Board of Directors may declare.

You may terminate participation in the Plan or the Optional Cash Investment Service at any time by giving written notice to the Agent. Such termination will be effective prior to the record date next succeeding the receipt of such instructions or by a later date of termination specified in such instructions. Upon termination, a participant may request a certificate for the full shares credited to his or her account or may request the sale of all or part of such shares. If the participant instructs the Agent to sell the shares credited to the participant's account, the Agent may accumulate such shares and those of any other terminating participants for purposes of such sale. Brokerage charges, transfer taxes, and any other costs of sale will be allocated pro rata among the selling participants. Any such sale may be made on any securities exchange where such shares are traded, in the over-the-counter market or in negotiated transactions, and may be subject to such terms of price, delivery, etc., as the Agent may agree to. Fractional shares credited to a terminating account will be paid for in cash at the current market price at the time of termination.

Dividends and other distributions invested in additional shares under the Plan are subject to income tax just as if they had been received in cash. After year end, dividends paid on the accumulated shares will be included in the Form 1099-DIV information return to the Internal Revenue Service and only one Form 1099-DIV will be sent to each participant each year.

Inquiries regarding the Plan and the Optional Cash Investment Service, as well as notices of termination, should be directed to Computershare Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010 Investor Relations, telephone number 1-866-290-4386.

Schedule of Portfolio Holdings

The Fund files a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. You may obtain a free copy of the Fund's Form N-Q by calling 1-800-799-4932 or by writing to the Fund, or you may obtain a copy of this report (and other information relating to the Fund) from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>). Additionally, the Fund's Form N-Q can be viewed or copied at the SEC's Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room can be obtained by calling 1-202-551-8090.

Proxy Voting

You may request a free description of the policies and procedures that the Fund uses to determine how proxies relating to the Fund's portfolio securities are voted by calling 1-800-799-4932 or by writing to the Fund, or you may obtain a copy of these policies and procedures (and other information regarding the Fund) from the SEC's web site (<http://www.sec.gov>). You may

Semi-Annual Report to Shareholders

request a free report regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 by calling 1-800-799-4932 or by writing to the Fund, or you may obtain a copy of this report (and other information relating to the Fund) from the SEC's website (<http://www.sec.gov>).

Quarterly Comparison of Market Price and Net Asset Value ("NAV"), Discount or Premium to NAV and Average Daily Volume of Shares Traded

	Market Price	Net Asset Value	Premium/ (Discount)	Average Daily Volume
September 30, 2007	\$ 14.72	\$ 15.47	(4.85)%	16,141
December 31, 2007	13.50	15.13	(10.77)%	18,245
March 31, 2008	13.25	14.34	(7.60)%	17,005
June 30, 2008	13.14	14.19	(7.40)%	14,888

Semi-Annual Report to Shareholders

Portfolio Diversification

June 30, 2008^A

The pie and bar charts above represent the composition of the Fund's portfolio as of June 30, 2008.

^A *The Fund is actively managed. As a result, the composition of its portfolio holdings and sectors is subject to change at any time.*

^B *Standard & Poor's Ratings Services provide capital markets with credit ratings for the evaluation and assessment of credit risk.*

Semi-Annual Report to Shareholders

Portfolio of Investments

June 30, 2008 (Unaudited)

Western Asset Income Fund

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Long-Term Securities	98.3%				
Corporate Bonds and Notes	71.6%				
<i>Aerospace and Defense</i>	<i>0.2%</i>				
L-3 Communications Corp.		7.625%	6/15/12	\$ 275,000	\$ 277,750
<i>Airlines</i>	<i>0.5%</i>				
Continental Airlines Inc.		6.545%	2/2/19	164,859	150,846
Continental Airlines Inc.		7.256%	3/15/20	193,739	183,084
Delta Air Lines Inc.		7.111%	9/18/11	400,000	370,000
					703,930
<i>Automobiles</i>	<i>5.0%</i>				
Ford Motor Co.		7.450%	7/16/31	8,050,000	4,689,125 _A
General Motors Corp.		8.250%	7/15/23	3,450,000	2,009,625 _A
					6,698,750
<i>Beverages</i>	<i>0.2%</i>				
Dr Pepper Snapple Group Inc. Senior Notes		6.820%	5/1/18	240,000	240,990 _B
<i>Building Products</i>	<i>0.5%</i>				
American Standard Inc.		8.250%	6/1/09	500,000	515,928
Nortek Inc.		8.500%	9/1/14	225,000	144,000 _A
					659,928
<i>Capital Markets</i>	<i>4.6%</i>				
BankAmerica Capital III		3.283%	1/15/27	215,000	169,877 _{AC}
Goldman Sachs Capital II		5.793%	12/29/49	920,000	639,731 _D
Lehman Brothers Holdings Capital Trust VII		5.857%	11/29/49	1,590,000	1,037,475 _D
Lehman Brothers Holdings Inc.		5.750%	5/17/13	350,000	332,928
Lehman Brothers Holdings Inc.		6.500%	7/19/17	110,000	101,763
Merrill Lynch and Co. Inc.		6.050%	8/15/12	400,000	391,486

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Merrill Lynch and Co. Inc.	5.700%	5/2/17	1,000,000	880,438
Merrill Lynch and Co. Inc.	6.400%	8/28/17	300,000	277,990
Merrill Lynch and Co. Inc.	6.110%	1/29/37	320,000	254,146
Morgan Stanley	5.050%	1/21/11	780,000	771,104
Morgan Stanley	4.750%	4/1/14	60,000	54,674
Morgan Stanley	6.625%	4/1/18	100,000	94,752
The Bear Stearns Cos. Inc.	5.550%	1/22/17	720,000	665,443 _A
The Goldman Sachs Group Inc.	6.345%	2/15/34	555,000	470,490 _A

6,142,297

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Chemicals</i> 0.6%					
The Dow Chemical Co.		7.375%	11/1/29	\$ 800,000	\$ 848,484
<i>Commercial Banks</i> 3.2%					
Comerica Capital Trust II		6.576%	2/20/37	360,000	226,699 _D
Rabobank Capital Funding Trust II		5.260%	12/31/49	115,000	105,349 _{B,D}
Rabobank Capital Funding Trust III		5.254%	12/31/16	1,145,000	983,311 _{B,D}
RBS Capital Trust III		5.512%	9/29/49	1,460,000	1,268,880 _D
SunTrust Capital VIII		6.100%	12/15/36	560,000	444,748 _D
Wachovia Capital Trust III		5.800%	3/15/42	410,000	278,800 _D
Wells Fargo Capital X		5.950%	12/15/36	450,000	408,219 _D
Wells Fargo Capital XIII		7.700%	12/29/49	500,000	497,023 _D
					4,213,029
<i>Commercial Services and Supplies</i> 0.3%					
Waste Management Inc.		7.375%	5/15/29	415,000	436,109
<i>Communications Equipment</i> N.M.					
Motorola Inc.		7.625%	11/15/10	56,000	57,085
<i>Consumer Finance</i> 2.8%					
American Express Co.		6.800%	9/1/66	1,120,000	1,035,489 _D
Capital One Financial Corp.		6.750%	9/15/17	230,000	227,890
GMAC LLC		8.000%	11/1/31	1,610,000	1,047,431
Nelnet Inc.		7.400%	9/29/36	460,000	300,746 _D
SLM Corp.		5.000%	10/1/13	810,000	700,378
SLM Corp.		5.050%	11/14/14	130,000	110,408
SLM Corp.		8.450%	6/15/18	230,000	220,647
SLM Corp.		5.625%	8/1/33	180,000	135,531
					3,778,520
<i>Containers and Packaging</i> 0.2%					
Graphic Packaging International Corp.		9.500%	8/15/13	200,000	191,000 _A

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<i>Diversified Financial Services</i>	9.8%				
AGFC Capital Trust I	6.000%	1/15/67	300,000	238,059 _{B,D}	
AIG SunAmerica Global Financing VI	6.300%	5/10/11	1,880,000	1,909,251 _B	
BAC Capital Trust XIV	5.630%	12/31/49	580,000	452,591 _D	
Bank of America Corp.	8.000%	12/29/49	150,000	140,530 _D	
Beaver Valley II Funding	9.000%	6/1/17	272,000	292,979	
Capital One Bank	6.500%	6/13/13	330,000	323,146 _A	

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Diversified Financial Services</i> Continued					
Capital One Capital IV		6.745%	2/17/37	\$ 390,000	\$ 291,420 _D
Capmark Financial Group Inc.		5.875%	5/10/12	350,000	246,894 _E
Chase Capital II		3.373%	2/1/27	725,000	558,533 _C
Citigroup Capital XXI		8.300%	12/21/57	320,000	302,185 _D
Citigroup Inc.		6.125%	8/25/36	550,000	465,166
Citigroup Inc.		8.400%	4/29/49	200,000	190,122 _D
Deutsche Bank Capital Funding Trust		5.628%	1/19/49	670,000	564,539 _{B,D}
General Electric Capital Corp.		6.375%	11/15/67	600,000	567,485 _D
Glen Meadow Pass-Through Certificates		6.505%	2/12/67	310,000	260,353 _{B,D}
HSBC Finance Capital Trust IX		5.911%	11/30/35	1,350,000	1,082,227 _D
HSBC Finance Corp.		5.700%	6/1/11	1,380,000	1,391,062
ILFC E-Capital Trust II		6.250%	12/21/65	790,000	659,385 _{B,D}
Kaupthing Bank Hf		7.625%	2/28/15	620,000	560,046 _{B,F}
Liberty Media LLC		8.500%	7/15/29	130,000	116,283 _A
Liberty Media LLC		8.250%	2/1/30	65,000	56,623 _A
TNK-BP Finance SA		7.875%	3/13/18	100,000	96,250 _B
UBS Preferred Funding Trust V		6.243%	5/12/49	1,120,000	981,362 _D
ZFS Finance USA Trust II		6.450%	12/15/65	1,440,000	1,277,279 _{B,D}
					13,023,770
<i>Diversified Telecommunication Services</i> 1.6%					
AT&T Corp.		8.000%	11/15/31	440,000	505,121
Embarq Corp.		7.082%	6/1/16	330,000	313,419
Qwest Corp.		6.875%	9/15/33	1,000,000	825,000
Verizon Global Funding Corp.		5.850%	9/15/35	570,000	502,390
					2,145,930
<i>Electric Utilities</i> 4.7%					
Commonwealth Edison Co.		5.800%	3/15/18	560,000	546,658
Exelon Corp.		6.750%	5/1/11	550,000	565,031
FirstEnergy Corp.		6.450%	11/15/11	60,000	61,566
FirstEnergy Corp.		7.375%	11/15/31	395,000	429,522
Pacific Gas and Electric Co.		6.050%	3/1/34	800,000	771,386
PNPP II Funding Corp.		9.120%	5/30/16	2,090,000	2,329,603 _A
Sithe/Independence Funding Corp.		9.000%	12/30/13	1,424,557	1,514,617
					6,218,383
<i>Energy Equipment and Services</i> 0.2%					
EEB International Ltd.		8.750%	10/31/14	260,000	275,600 _B

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Food and Staples Retailing</i> 0.3%					
Wal-Mart Stores Inc.		6.500%	8/15/37	\$ 380,000	\$ 391,078
<i>Food Products</i> 0.2%					
Tyson Foods Inc.		6.850%	4/1/16	340,000	308,973 _E
<i>Gas Utilities</i> 0.1%					
Southern Natural Gas Co.		5.900%	4/1/17	170,000	162,407 _B
<i>Health Care Equipment and Supplies</i> 0.2%					
Hospira Inc.		6.050%	3/30/17	290,000	279,869
<i>Health Care Providers and Services</i> 4.8%					
Cardinal Health Inc.		5.500%	6/15/13	210,000	209,534
Cardinal Health Inc.		5.800%	10/15/16	410,000	401,269
Coventry Health Care Inc.		5.950%	3/15/17	440,000	382,673
HCA Inc.		7.875%	2/1/11	250,000	246,250
HCA Inc.		6.300%	10/1/12	180,000	161,550
HCA Inc.		6.250%	2/15/13	930,000	806,775
HCA Inc.		5.750%	3/15/14	65,000	54,113
HCA Inc.		9.125%	11/15/14	400,000	409,000
HCA Inc.		9.250%	11/15/16	500,000	515,000
Humana Inc.		6.450%	6/1/16	220,000	213,407
Tenet Healthcare Corp.		6.375%	12/1/11	1,465,000	1,402,738
UnitedHealth Group Inc.		6.000%	11/15/17	520,000	503,336
Universal Health Services Inc.		7.125%	6/30/16	520,000	534,470
WellPoint Inc.		5.875%	6/15/17	540,000	521,955
					6,362,070
<i>Hotels, Restaurants and Leisure</i> 0.2%					
Caesars Entertainment Inc.		8.125%	5/15/11	250,000	200,000 _A
<i>Household Durables</i> 0.3%					

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DR Horton Inc.	5.250%	2/15/15	410,000	325,950
Pulte Homes Inc.	6.250%	2/15/13	145,000	130,500
				456,450
<i>Independent Power Producers and Energy Traders</i>				
	2.7%			
Dynegy Holdings Inc.	6.875%	4/1/11	1,300,000	1,285,375
Dynegy Holdings Inc.	8.750%	2/15/12	735,000	746,025 _A

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Independent Power Producers and Energy Traders</i> Continued					
TXU Corp.		5.550%	11/15/14	\$ 1,500,000	\$ 1,174,310
TXU Corp.		6.500%	11/15/24	520,000	383,657
					3,589,367
<i>Insurance</i> 3.3%					
Allstate Corp.		6.500%	5/15/57	480,000	419,387 ^{A,D}
American International Group Inc.		6.250%	3/15/37	80,000	62,621 ^D
ASIF Global Financing XIX		4.900%	1/17/13	30,000	28,823 ^B
Everest Reinsurance Holdings Inc.		6.600%	5/15/37	260,000	185,501 ^D
Hartford Financial Services Group Inc.		8.125%	6/15/68	325,000	316,308 ^D
Liberty Mutual Group		5.750%	3/15/14	270,000	260,635 ^B
Liberty Mutual Group		7.800%	3/15/37	300,000	239,509 ^B
MetLife Inc.		6.400%	12/15/36	1,160,000	1,012,818 ^D
Prudential Financial Inc.		8.875%	6/15/38	340,000	339,904 ^D
The Chubb Corp.		6.375%	3/29/67	320,000	292,718 ^D
The Travelers Cos. Inc.		6.250%	3/15/37	620,000	532,668 ^D
The Travelers Cos. Inc.		6.250%	6/15/37	280,000	260,275
Willis North America Inc.		5.125%	7/15/10	280,000	275,300
Willis North America Inc.		5.625%	7/15/15	230,000	206,789
					4,433,256
<i>IT Services</i> 0.8%					
Electronic Data Systems Corp.		7.125%	10/15/09	600,000	618,760
Electronic Data Systems Corp.		7.450%	10/15/29	420,000	461,470
					1,080,230
<i>Leisure Equipment and Products</i> 0.2%					
Hasbro Inc.		6.300%	9/15/17	320,000	316,016 ^E
<i>Media</i> 2.7%					
AMFM Inc.		8.000%	11/1/08	210,000	213,120
Clear Channel Communications Inc.		5.500%	9/15/14	365,000	219,000
Comcast Cable Holdings LLC		9.800%	2/1/12	375,000	422,707
Comcast Corp.		6.450%	3/15/37	120,000	111,683
Comcast Corp.		6.950%	8/15/37	160,000	157,374
Comcast Corp.		6.400%	5/15/38	260,000	239,843
News America Inc.		6.550%	3/15/33	545,000	533,194 ^A
TCI Communications Inc.		8.750%	8/1/15	160,000	180,860

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Time Warner Entertainment Co. LP	8.375%	7/15/33	530,000	573,596
Time Warner Inc.	9.125%	1/15/13	240,000	263,540
Time Warner Inc.	7.700%	5/1/32	595,000	609,163
				3,524,080

*Semi-Annual Report to Shareholders***Portfolio of Investments Continued**

Western Asset Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Metals and Mining</i> 1.9%					
Freeport-McMoRan Copper & Gold Inc.		8.375%	4/1/17	\$ 1,730,000	\$ 1,825,150
GTL Trade Finance Inc.		7.250%	10/20/17	737,000	740,442 _B
					2,565,592
<i>Multi-Utilities</i> 1.1%					
Centerpoint Energy Inc.		6.850%	6/1/15	1,150,000	1,170,244
DTE Energy Co.		6.375%	4/15/33	330,000	310,525
					1,480,769
<i>Multiline Retail</i> 0.8%					
Federated Retail Holdings Inc.		5.350%	3/15/12	270,000	250,887
Macy's Retail Holdings Inc.		5.875%	1/15/13	330,000	306,235
May Department Stores Co.		5.750%	7/15/14	400,000	361,165 _A
May Department Stores Co.		6.650%	7/15/24	180,000	145,751
					1,064,038
<i>Oil, Gas and Consumable Fuels</i> 8.8%					
Apache Corp.		6.000%	1/15/37	230,000	225,683
DCP Midstream LLC		6.750%	9/15/37	420,000	397,847 _B
Devon Financing Corp. ULC		7.875%	9/30/31	350,000	413,384
Duke Capital LLC		6.250%	2/15/13	800,000	814,155 _A
El Paso Corp.		7.800%	8/1/31	2,000,000	2,014,124
EOG Resources Inc.		5.875%	9/15/17	540,000	543,643
Hess Corp.		7.875%	10/1/29	1,450,000	1,663,015
Kerr-McGee Corp.		6.950%	7/1/24	300,000	311,179
Kinder Morgan Energy Partners LP		7.125%	3/15/12	530,000	553,272
Peabody Energy Corp.		6.875%	3/15/13	285,000	285,713
Pemex Project Funding Master Trust		6.625%	6/15/35	2,635,000	2,599,699 _A
The Williams Cos. Inc.		7.500%	1/15/31	102,000	103,148
The Williams Cos. Inc.		8.750%	3/15/32	1,250,000	1,418,750
XTO Energy Inc.		6.100%	4/1/36	440,000	419,085
					11,762,697
<i>Paper and Forest Products</i> 0.6%					

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Georgia-Pacific Corp.	9.500%	12/1/11	325,000	330,281
Georgia-Pacific Corp.	7.375%	12/1/25	250,000	211,250
Weyerhaeuser Co.	6.750%	3/15/12	235,000	242,032
				783,563
<i>Pharmaceuticals</i>	<i>0.1%</i>			
Wyeth	5.950%	4/1/37	170,000	164,090

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Corporate Bonds and Notes Continued					
<i>Real Estate Investment Trusts (REITs)</i> 0.5%					
Health Care REIT Inc.		5.875%	5/15/15	\$ 130,000	\$ 120,823
iStar Financial Inc.		5.950%	10/15/13	590,000	483,800
					604,623
<i>Real Estate Management and Development</i> 0.2%					
Forest City Enterprises Inc.		7.625%	6/1/15	225,000	209,250
<i>Thrifts and Mortgage Finance</i> 4.7%					
BB&T Capital Trust II		6.750%	6/7/36	640,000	560,515
Countrywide Financial Corp.		5.800%	6/7/12	950,000	898,516
Countrywide Financial Corp.		6.250%	5/15/16	500,000	445,172 _A
Residential Capital LLC		8.500%	5/15/10	3,536,000	2,970,240 _B
Residential Capital LLC		9.625%	5/15/15	1,416,000	686,760 _B
Washington Mutual Inc.		7.250%	11/1/17	950,000	701,812 _A
					6,263,015
<i>Tobacco</i> 1.1%					
Reynolds American Inc.		7.250%	6/1/12	1,360,000	1,402,360
<i>Wireless Telecommunication Services</i> 1.6%					
New Cingular Wireless Services Inc.		8.750%	3/1/31	475,000	563,625
Nextel Communications Inc.		5.950%	3/15/14	88,000	70,620
Nextel Communications Inc.		7.375%	8/1/15	285,000	236,550
Sprint Capital Corp.		6.900%	5/1/19	330,000	289,575
Sprint Capital Corp.		8.750%	3/15/32	940,000	895,350
					2,055,720
Total Corporate Bonds and Notes					95,371,068
(Cost \$103,139,125)					
Mortgage-Backed Securities 0.7%					
<i>Variable Rate Securities</i> ^G 0.7%					
Thornburg Mortgage Securities Trust 2007-4 2A1		6.220%	9/25/37	508,652	485,829
Thornburg Mortgage Securities Trust 2007-4 3A1		6.214%	9/25/37	470,657	446,860
					932,689

Total Mortgage-Backed Securities
(Cost \$970,553)

Semi-Annual Report to Shareholders

Portfolio of Investments Continued

Western Asset Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
U.S. Government Agency Mortgage-Backed Securities	N.M.				
<i>Fixed Rate Securities</i>	<i>N.M.</i>				
Freddie Mac		10.250%	5/1/09	\$ 1,282	\$ 1,325
Total U.S. Government Agency Mortgage-Backed Securities					
(Cost \$1,242)					1,325
Yankee Bonds^H	25.5%				
<i>Aerospace and Defense</i>	<i>0.3%</i>				
Systems 2001 Asset Trust		6.664%	9/15/13	367,896	364,143 _B
<i>Commercial Banks</i>	<i>10.4%</i>				
AES El Salvador Trust		6.750%	2/1/16	750,000	673,521 _B
ATF Capital BV		9.250%	2/21/14	810,000	814,050 _{A,B}
Banco Mercantil del Norte SA		6.135%	10/13/16	750,000	730,211 _{B,D}
Barclays Bank PLC		7.434%	9/29/49	910,000	853,559 _{B,D}
Barclays Bank PLC		7.700%	12/31/49	300,000	302,211 _{B,D}
Glitnir Banki Hf		6.330%	7/28/11	400,000	324,440 _B
Glitnir Banki Hf		6.693%	6/15/16	680,000	437,281 _{B,D}
Glitnir Banki Hf		7.451%	12/14/49	210,000	126,389 _{B,D}
HBOS Capital Funding LP		6.071%	6/30/49	560,000	484,168 _{B,D}
HSBK Europe BV		7.250%	5/3/17	490,000	426,300 _B
ICICI Bank Ltd.		6.375%	4/30/22	200,000	179,234 _{B,D}
ICICI Bank Ltd.		6.375%	4/30/22	100,000	90,333 _{B,D}
Kaupthing Bank Hf		5.750%	10/4/11	480,000	388,601 _B
Kaupthing Bank Hf		7.125%	5/19/16	1,250,000	880,883 _B
Landsbanki Islands Hf		7.431%	12/31/49	730,000	460,918 _{B,D}
Mizuho Financial Group		5.790%	4/15/14	1,100,000	1,120,902 _B
Natixis		10.000%	4/29/49	460,000	469,200 _{B,D}
Resona Preferred Global Securities		7.191%	12/29/49	1,095,000	1,011,129 _{B,D}
Royal Bank of Scotland Group PLC		7.640%	3/17/49	100,000	91,433 _D
RSHB Capital SA		7.175%	5/16/13	970,000	971,213 _B
RSHB Capital SA		7.125%	1/14/14	370,000	364,894 _{A,B}
RSHB Capital SA		6.299%	5/15/17	380,000	350,607 _B
Shinsei Finance Cayman Ltd.		6.418%	1/29/49	1,210,000	849,773 _{B,D}
Sumitomo Mitsui Banking Corp.		5.625%	12/31/49	270,000	242,307 _{B,D}
TuranAlem Finance BV		8.250%	1/22/37	740,000	617,900 _B
VTB Capital SA for Vneshtorgbank		3.384%	8/1/08	560,000	554,400 _{B,C}

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13,815,857

<i>Consumer Finance</i>	<i>0.7%</i>				
Aiful Corp.		6.000%	12/12/11	1,095,000	904,992 _B

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Yankee Bonds Continued					
<i>Diversified Financial Services</i> 1.4%					
Lukoil International Finance BV		6.356%	6/7/17	\$ 310,000	\$ 292,175 _B
Petroplus Finance Ltd.		7.000%	5/1/17	600,000	529,500 _B
SMFG Preferred Capital		6.078%	1/29/49	380,000	321,301 _{B,D}
TNK-BP Finance SA		7.500%	7/18/16	360,000	340,632 _B
UFJ Finance Aruba AEC		6.750%	7/15/13	355,000	372,942
					1,856,550
<i>Diversified Telecommunication Services</i> 2.6%					
British Telecommunications PLC		9.125%	12/15/30	330,000	396,688 _E
Deutsche Telekom International Finance BV		5.750%	3/23/16	160,000	156,114
Deutsche Telekom International Finance BV		8.750%	6/15/30	500,000	573,689 _E
Koninklijke (Royal) KPN NV		8.375%	10/1/30	240,000	275,911
Telecom Italia Capital		7.200%	7/18/36	760,000	734,882
Telecom Italia Capital SA		7.721%	6/4/38	470,000	477,585
Telefonica Emisiones S.A.U.		7.045%	6/20/36	600,000	615,750
VIP Finance Ireland Ltd		8.375%	4/30/13	250,000	246,457 _B
					3,477,076
<i>Electric Utilities</i> 0.6%					
Enersis SA		7.375%	1/15/14	317,000	336,707 _A
Enersis SA/Cayman Island		7.400%	12/1/16	452,000	483,800
					820,507
<i>Food and Staples Retailing</i> 0.2%					
Delhaize Group		6.500%	6/15/17	290,000	292,528
<i>Foreign Governments</i> 0.9%					
Quebec Province		7.970%	7/22/36	650,000	899,155
Russian Federation		7.500%	3/31/30	53,190	59,673 _B
United Mexican States		6.750%	9/27/34	235,000	249,335
					1,208,163
<i>Gas Utilities</i> 0.2%					
Intergas Finance BV		6.375%	5/14/17	270,000	240,300 _B
<i>Industrial Conglomerates</i> 1.1%					

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Tyco International Group SA	6.375%	10/15/11	1,450,000	1,483,830
<i>Insurance</i>	<i>0.5%</i>			
Axa	8.600%	12/15/30	550,000	592,385

*Semi-Annual Report to Shareholders***Portfolio of Investments Continued**

Western Asset Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Yankee Bonds Continued					
<i>Media</i> 0.2%					
Rogers Cable Inc.		6.250%	6/15/13	\$ 250,000	\$ 255,460
<i>Metals and Mining</i> 1.0%					
Evrax Group SA		8.875%	4/24/13	260,000	260,312 _B
Vale Overseas Ltd.		6.875%	11/21/36	1,148,000	1,066,188
					1,326,500
<i>Oil, Gas and Consumable Fuels</i> 4.8%					
Anadarko Finance Co.		7.500%	5/1/31	1,355,000	1,452,477
Gazprom		9.625%	3/1/13	50,000	55,465 _B
Gazprom		9.625%	3/1/13	20,000	22,081 _B
Gazprom		6.212%	11/22/16	450,000	420,435 _B
Gazprom		6.510%	3/7/22	400,000	359,000 _B
Petrobras International Finance Co.		5.875%	3/1/18	879,000	845,549
Petrozuata Finance Inc.		8.220%	4/1/17	3,173,530	3,291,586 _B
					6,446,593
<i>Wireless Telecommunication Services</i> 0.6%					
America Movil SA de CV		5.625%	11/15/17	520,000	500,808
Rogers Wireless Inc.		6.375%	3/1/14	300,000	300,347
					801,155
Total Yankee Bonds					
(Cost \$35,939,494)					33,886,039
<i>Preferred Stocks</i> 0.5%					
Fannie Mae		8.250%		11,700shs	268,515 _{A,D}
Freddie Mac		8.375%		16,625	403,988 _{A,D}
Total Preferred Stocks					
(Cost \$708,125)					672,503
Total Long-Term Securities					
(Cost \$140,758,539)					130,863,624

Semi-Annual Report to Shareholders

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
Investment of Collateral From Securities Lending	9.8%				
State Street Navigator Securities Lending Prime Portfolio				13,062,520shs	\$ 13,062,520
Total Investment of Collateral From Securities Lending (Cost \$13,062,520)					13,062,520
Total Investments (Cost \$153,821,059)	108.1%				143,926,144
Obligation to Return Collateral For Securities Loaned	(9.8%)				(13,062,520)
Other Assets Less Liabilities	1.7%				2,333,536
Net Assets	100.0%				\$ 133,197,160

N.M. Not Meaningful.

^A All or a portion of this security is on loan.

^B Rule 144A Security A security purchased pursuant to Rule 144A under the Securities Act of 1933 which may not be resold subject to that rule except to qualified institutional buyers. These securities, which the Fund's investment adviser has determined to be liquid, represent 25.59% of net assets.

^C Indexed Security The rates of interest earned on these securities are tied to the London Interbank Offered Rate (LIBOR), the Euro Interbank, the Consumer Price Index (CPI), or the one-year Treasury Bill Rate. The coupon rates are the rates as of June 30, 2008.

^D Stepped Coupon Security A security with a predetermined schedule of interest or dividend rate changes at which time it begins to accrue interest or pay dividends according to the predetermined schedule.

^E Credit Linked Security The rates of interest earned on these securities are tied to the credit rating assigned by Standard & Poor's Rating Service and/or Moody's Investors Services.

^F Illiquid security valued at fair value under the procedures approved by the Board of Directors.

^G The coupon rates shown on variable rate securities are the rates at June 30, 2008. These rates vary with the weighted average coupon of the underlying loans.

^H Yankee Bond A dollar-denominated bond issued in the U.S. by foreign entities.

^I Aggregate cost for federal income tax purposes is substantially the same as book cost. At June 30, 2008, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 2,278,451
Gross unrealized depreciation	(12,173,366)
Net unrealized appreciation	\$ 9,894,915

See notes to financial statements.

Semi-Annual Report to Shareholders

Statement of Assets and Liabilities

June 30, 2008 (Unaudited)

Western Asset Income Fund

Assets:

Investment securities at market value (Cost \$153,821,059)	\$ 143,926,144 ^A
Cash	3,457
Interest receivable	2,423,584
Receivable for securities sold	110,000
Other assets	13,944
Total assets	146,477,129

Liabilities:

Obligation to return collateral for securities loaned	\$ 13,062,520
Accrued management fee	58,526
Accrued expenses	158,923
Total liabilities	13,279,969

Net Assets **\$ 133,197,160**

Summary of Stockholders' Equity:

Common stock, par value \$.01 per share; authorized 20,000,000 shares; 9,389,431 issued and outstanding shares	\$ 93,894
Additional paid-in-capital	141,896,764
Undistributed net investment income	963,977
Accumulated net realized gain on investments	137,440
Net unrealized depreciation of investments	(9,894,915)

Net Assets **\$ 133,197,160**

Net Asset Value Per Share:

(\$133,197,160 ÷ 9,389,431 common shares issued and outstanding) \$ 14.19

^A The market value of securities on loan is \$12,793,520.

See notes to financial statements.

Semi-Annual Report to Shareholders**Statement of Operations***For the Six Months Ended June 30, 2008 (Unaudited)*

Western Asset Income Fund

Investment Income:

Interest	\$ 5,260,970
Dividends	33,324
Income from securities loaned	25,007
Total income	\$ 5,319,301

Expenses:

Management fees	366,925
Audit and legal fees	105,973
Custodian fees	18,860
Directors' fees and expenses	2,646
Registration fees	10,625
Reports to shareholders	28,721
Proxy expense	12,024
Transfer agent and shareholder servicing expense	16,082
Taxes, other than federal income taxes	19,375
Other expenses	13,888
	595,119
Less: Fees waived	(12,000)
Compensating balance credits	(227)

Net expenses	582,892
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Net Investment Income	4,736,409
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Net Realized and Unrealized Gain/(Loss) on Investments:

Net realized gain on investments	139,928
Change in unrealized appreciation/(depreciation) of investments	(8,918,849)

Net Realized and Unrealized Loss on Investments	(8,778,921)
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Change in Net Assets Resulting From Operations	\$ (4,042,512)
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See notes to financial statements.

Semi-Annual Report to Shareholders**Statement of Changes in Net Assets**

Western Asset Income Fund

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE YEAR ENDED DECEMBER 31, 2007
	(Unaudited)	
Change in Net Assets:		
Net investment income	\$ 4,736,409	\$ 8,929,405
Net realized gain	139,928	1,240,006
Change in unrealized appreciation/(depreciation)	(8,918,849)	(7,056,691)
Change in net assets resulting from operations	(4,042,512)	3,112,720
Distributions to shareholders from:		
Net investment income	(4,366,092)	(8,985,699)
Net realized gain on investments	(423,463)	(1,504,189)
Change in net assets applicable to common shareholders	(8,832,067)	(7,377,168)
Net Assets:		
Beginning of period	142,029,227	149,406,395
End of period	\$ 133,197,160	\$ 142,029,227
Undistributed net investment income	\$ 963,977	\$ 593,660

See notes to financial statements.

Semi-Annual Report to Shareholders

Financial Highlights

Contained below is per share operating performance data for a share of Common Stock outstanding throughout each period shown, total investment return, ratios to average net assets and other supplemental data. This information has been derived from information in the financial statements.

Western Asset Income Fund

	SIX MONTHS ENDED JUNE 30, 2008 (Unaudited)		YEARS ENDED DECEMBER 31,			
	2008	2007	2006	2005	2004	2003
Net asset value, beginning of period	\$ 15.13	\$ 15.91	\$ 15.73	\$ 16.33	\$ 16.52	\$ 15.04
Investment operations:						
Net investment income	.50 ^A	.95 ^A	.91 ^A	.88	.94	.92
Net realized and unrealized gain/(loss)	(.92)	(.61)	.21	(.41)	.32	1.54
Total from investment operations	(.42)	.34	1.12	.47	1.26	2.46
Distributions from:						
Net investment income	(.47)	(.96)	(.86)	(.87)	(.93)	(.98)
Net realized gain on investments	(.05)	(.16)	(.08)	(.20)	(.52)	
Total distributions	(.52)	(1.12)	(.94)	(1.07)	(1.45)	(.98)
Net asset value, end of period	\$ 14.19	\$ 15.13	\$ 15.91	\$ 15.73	\$ 16.33	\$ 16.52
Market value, end of period	\$ 13.14	\$ 13.50	\$ 15.52	\$ 14.14	\$ 15.44	\$ 15.35
Total Return:						
Based on net asset value per share	(2.90)% ^B	2.17%	7.38%	3.00%	8.50%	17.13%
Based on market value per share	0.95% ^B	(6.16)%	17.02%	(1.49)%	10.41%	14.07%
Ratios to Average Net Assets:^C						
Total expenses	.88% ^D	.83%	.84%	.81%	.78%	.95%
Expenses net of waivers, if any	.86% ^D	.81%	.82%	.79%	.76%	.94%
Expenses net of all reductions	.86% ^D	.81%	.82%	.79%	.76%	.94%
Net investment income	6.99% ^D	6.10%	5.81%	5.48%	5.71%	5.78%
Supplemental Data:						
Portfolio turnover rate	10% ^B	46%	51%	80%	81%	47%
Net assets, end of period (in thousands)	\$ 133,197	\$ 142,029	\$ 149,406	\$ 147,737	\$ 153,289	\$ 155,139

^A Computed using average daily shares outstanding.

^B Not annualized.

^C Total expenses reflects operating expenses prior to any voluntary expense waivers and/or compensating balance credits. Expenses net of waivers reflects total expenses before compensating balance credits but net of any voluntary expense waivers. Expenses net of all reductions reflects expenses less any compensating balance credits and/or voluntary expense waivers.

D Annualized.

See notes to financial statements.

Semi-Annual Report to Shareholders

Notes to Financial Statements

(Unaudited)

1. Significant Accounting Policies:

Western Asset Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended (1940 Act), as a closed-end diversified investment company.

The Fund's primary investment objective is to provide current income for its shareholders. Capital appreciation, when consistent with current income, is a secondary investment objective.

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

Investment Valuation

The Fund's securities are valued under policies approved by and under the general oversight of the Board of Directors. Effective January 1, 2008, the Fund adopted Statement of Financial Accounting Standards No. 157 (FAS 157). FAS 157 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Debt