

Western Asset Income Fund  
Form N-CSRS  
August 29, 2006

**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

Name of Registrant: Western Asset Income Fund

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

Name and address of agent for service:

Gregory B. McShea

385 East Colorado Boulevard

Pasadena, CA 91101

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

Date of fiscal year end: 12/31/2006

Date of reporting period: 06/30/2006

**Item 1. Report to Shareholders.**

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*Western Asset Income Fund*

*Semi-Annual Report to Shareholders*

*June 30, 2006*

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## Semi-Annual Report to Shareholders

### FUND HIGHLIGHTS

(Amounts in Thousands, except per share amounts) (Unaudited)

	Six Months Ended June 30, 2006	Year Ended December 31, 2005
Net Asset Value	\$143,168	\$147,737
Per Share	\$15.25	\$15.73
Market Value Per Share	\$13.56	\$14.14
Net Investment Income	\$4,233	\$8,217
Per Share	\$0.45	\$0.88
Dividends Paid:		
Ordinary Income	\$4,037	\$8,169
Per Share	\$0.43	\$0.87
Long-Term Capital Gains		\$1,887
Per Share		\$0.20

### 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 net investment income is distributed to the 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 are traded 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 its portfolio must be invested as follows:

At least 75% 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. 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, the Agent will, as agent for the participants, buy shares of the Fund 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.

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### **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 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.

### **Annual Certifications**

In May 2006, the Fund submitted a CEO annual certification to the NYSE in which the Fund's principal executive officer certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's

## Semi-Annual Report to Shareholders

principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

### 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 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 (Shares)
September 30, 2005	\$ 14.81	\$ 15.93	(7.03)%	9,734
December 31, 2005	14.14	15.73	(10.11)%	12,448
March 31, 2006	14.20	15.55	(8.68)%	8,235
June 30, 2006	13.56	15.25	(11.08)%	10,548



## *Semi-Annual Report to Shareholders*

### **PORTFOLIO DIVERSIFICATION**

*June 30, 2006*

The pie chart and bar chart above represent the Fund's assets as of June 30, 2006. The Fund's portfolio is actively managed, and its portfolio composition, credit quality breakdown, and other portfolio characteristics will vary from time to time.

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<sup>A</sup> *Ratings shown are expressed as a percentage of the portfolio. Standard & Poor's Ratings Services provides capital markets with credit ratings for the evaluation and assessment of credit risk.*

<sup>B</sup> *Expressed as a percentage of the portfolio.*

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### PORTFOLIO OF INVESTMENTS

June 30, 2006 (Unaudited)

(Amounts in Thousands)

Western Asset Income Fund

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
<b>Long-Term Securities</b>	<b>98.0%</b>				
<b>Corporate Bonds and Notes</b>	<b>73.3%</b>				
<i>Aerospace/Defense</i>	<i>0.2%</i>				
L-3 Communications Corp.		7.63%	6/15/12	\$ 275	\$ 279
<i>Auto Parts and Equipment</i>	<i>0.4%</i>				
Johnson Controls, Inc.		5.25%	1/15/11	560	546
<i>Automotive</i>	<i>3.7%</i>				
Ford Motor Company		7.45%	7/16/31	3,550	2,565 <sup>A</sup>
General Motors Corporation		8.25%	7/15/23	3,450	2,717 <sup>A</sup>
					5,282
<i>Banking and Finance</i>	<i>8.0%</i>				
Ford Motor Credit Company		7.38%	10/28/09	4,425	4,091
General Motors Acceptance Corporation		6.13%	8/28/07	1,090	1,079
General Motors Acceptance Corporation		6.31%	11/30/07	110	106
General Motors Acceptance Corporation		5.63%	5/15/09	1,610	1,531
HSBC Finance Capital Trust IX		5.91%	11/30/35	1,350	1,288 <sup>B</sup>
HSBC Finance Corporation		4.75%	4/15/10	1,790	1,727
Residential Capital Corporation		6.00%	2/22/11	1,480	1,434
Wachovia Capital Trust III		5.80%	3/15/42	200	194 <sup>B</sup>
					11,450
<i>Banks</i>	<i>2.2%</i>				
Bank of America Corporation		7.80%	9/15/16	250	282
BankAmerica Capital III		5.64%	1/15/27	215	208 <sup>C</sup>
BB&T Capital Trust II		6.75%	6/7/36	640	638
Chase Capital II		5.65%	2/1/27	725	697 <sup>C</sup>
RBS Capital Trust III		5.51%	9/29/49	1,460	1,361 <sup>B</sup>
					3,186

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<i>Building Materials</i>		0.5%			
American Standard, Inc.		8.25%	6/1/09	500	527
Nortek, Inc.		8.50%	9/1/14	225	218
					745
<i>Cable</i>		1.6%			
Comcast Corporation		7.05%	3/15/33	160	162 <sub>A</sub>
Comcast Corporation		6.45%	3/15/37	380	357
Cox Communications, Inc.		4.63%	1/15/10	510	486

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### PORTFOLIO OF INVESTMENTS Continued

Western Asset Income Fund Continued

	% OF NET ASSETS	RATE	MATURITY DATE	PAR/ SHARES	VALUE
<b>Corporate Bonds and Notes</b> Continued					
<i>Cable</i> Continued					
CSC Holdings Inc.		7.25%	7/15/08	\$ 700	\$ 701
TCI Communications, Inc.		8.75%	8/1/15	160	183
Tele-Communications, Inc.		9.80%	2/1/12	375	433
					<u>2,322</u>
<i>Casino Resorts</i> 0.7%					
Caesars Entertainment Inc.		8.13%	5/15/11	250	263 <sub>A</sub>
Harrah s Operating Company, Inc.		5.50%	7/1/10	340	332
Harrah s Operating Company, Inc.		5.75%	10/1/17	480	437
					<u>1,032</u>
<i>Chemicals</i> 0.6%					
The Dow Chemical Company		7.38%	11/1/29	800	889
<i>Computer Services and Systems</i> 0.7%					
Electronic Data Systems Corporation		7.13%	10/15/09	600	619
Electronic Data Systems Corporation		7.45%	10/15/29	420	433 <sub>A</sub>
					<u>1,052</u>
<i>Containers and Packaging</i> 0.1%					
Graphic Packaging International Corp.		9.50%	8/15/13	200	198 <sub>A</sub>
<i>Diversified Financial Services</i> 3.7%					
AIG SunAmerica Global Financing VI		6.30%	5/10/11	1,880	1,921 <sub>D</sub>
Beaver Valley Funding Corp.		9.00%	6/1/17	300	333
Capital One Bank		5.75%	9/15/10	310	309
Capital One Bank		6.50%	6/13/13	330	338
Capital One Financial Corporation		7.13%	8/1/08	90	92
iStar Financial Inc.		5.38%	4/15/10	230	