

HANCOCK JOHN INCOME SECURITIES TRUST /MA
Form N-CSRS
September 05, 2007

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- 4186

John Hancock Income Securities Trust
(Exact name of registrant as specified in charter)

601 Congress Street, Boston, Massachusetts 02210
(Address of principal executive offices) (Zip code)

Alfred P. Ouellette
Senior Counsel and Assistant Secretary

601 Congress Street

Boston, Massachusetts 02210
(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4324

Date of fiscal year end: December 31

Date of reporting period: June 30, 2007

ITEM 1. REPORT TO SHAREHOLDERS.

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CEO corner

To Our Shareholders,

The stock market gained ground in the first half of 2007, returning 6.96% through June 30, as measured by the Standard & Poor s 500 Index. It was bolstered by stronger-than-expected corporate earnings growth, healthy global economic growth, increased merger and acquisitions activity and mostly steady interest rates. These positives served to overcome concerns about inflation, a slumping housing market, the subprime mortgage debacle and mixed signals on the future direction of interest rates.

In fact, at the end of May, the stock market passed a significant milestone, when the broad Standard & Poor s 500 Index climbed beyond the record it had set seven years ago. From its peak in March 2000, the stock market spiraled downward three consecutive years, bottoming in 2002. The upturn began in 2003, and the market has advanced each year since, finally setting a new high on May 30, 2007.

This nearly complete market cycle highlights the importance of an investment principle you have heard us speak of often: diversification. That is because it is a key to protecting, and growing, your assets. By allocating your investments among different asset classes, investment styles and portfolio managers, you are likely to be well represented through all phases of a complete market cycle, with the winners helping to cushion the fall of the losers.

The challenge for investors with a diversified portfolio is to properly evaluate your investments to tell the difference between an underperforming manager and an out-of-favor style, while also understanding the role each investment plays in your portfolio. That s where your financial professional can provide true value. He or she can help you make those assessments and also counsel patience, because a properly diversified portfolio by its very nature will typically have something lagging or out of favor a concept that can be difficult to live with, but necessary to embrace. If everything in your portfolio is working, then you are not truly diversified, but rather are leveraged to the current market and the flavor of the day. If so, you are bound to be out of step in the near future.

With the recent volatility in the securities markets, it has prompted investors to question how long this type of market cycle will last. History tells us it will end and that when it does, today s leaders may well turn into laggards and vice versa. Indeed, the current subprime mortgage market woes, the subsequent credit crunch and their impact on the financial markets and the global credit markets, are just the latest examples of why investors should be well-diversified. For with patience and a diversified portfolio, it could be easier to weather the market s twists and turns and reach your long-term goals.

Sincerely,

Keith F. Hartstein,
President and Chief Executive Officer

This commentary reflects the CEO s views as of August 27, 2007. They are subject to change at any time.

Your fund at a glance

The Fund seeks a high level of current income consistent with prudent investment risk by investing at least 80% of its assets in a diversified portfolio of income securities.

Over the last six months

Bonds gained modestly in the first half of 2007 despite higher interest rates and subprime mortgage market woes.

High-yield corporate bonds were the best performers, while investment-grade corporate securities lagged.

Overweights in high-yield corporate bonds and mortgage-backed securities helped the Fund outperform its benchmark index.

Top 10 issuers

Federal National Mortgage Assn.	36.1%	Washington Mutual, Inc.	1.6%
Federal Home Loan Mortgage Corp.	6.4%	Residential Asset Mortgage Products, Inc.	1.3%
Countrywide Home Loans, Inc.	2.3%	Bank of America Corp.	1.2%
Bear Stearns Cos., Inc.	2.2%	JPMorgan Chase & Co.	1.1%
Goldman Sachs Group	2.1%	Crown Castle Int'l Corp.	1.7%

As a percentage of the Fund's net assets plus the value of preferred shares on June 30, 2007.

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Managers report

John Hancock

Income Securities Trust

In an environment of rising interest rates, U.S. bonds produced modestly positive returns in the first half of 2007. The Lehman Brothers Aggregate Bond Index, a broad measure of bond market performance, returned 0.98% for the six-month period.

Bonds gained ground in the first quarter of the year as the U.S. economy continued to weaken, producing an annualized growth rate of just 0.7%. A continued slump in the housing market led to worsening delinquencies and foreclosures among subprime borrowers, and the resulting flight

to quality helped boost the bond market.

In the second quarter, however, economic data came in stronger than expected, most notably in the labor market. In addition, inflation remained persistently above trend, in part because of a renewed rise in energy prices. As a result, expectations of an interest rate cut by the Federal Reserve before year-end faded. This combination of factors led to rising interest rates in the last two months of the period, erasing most of the bond market's earlier gains.

The yield curve grew steeper during the six-month period. At the start of the year, the yield curve was inverted—short-term bond yields were slightly higher than the yields of longer-term bonds. However, longer-term bond yields rose higher than short-term yields during the period, and the yield curve returned to a more normal shape.

SCORECARD

INVESTMENT PERIOD'S PERFORMANCE . . . AND WHAT'S BEHIND THE NUMBERS

Cinemark Theater company benefited from improving business conditions and debt reduction efforts

Navios Maritime Holdings Increase in global trade boosted this shipping company

Liberty Mutual Subprime lending woes weighed on property and casualty insurer

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Portfolio Managers, MFC Global Investment Management (U.S.), LLC Barry H. Evans, CFA, Jeffrey N. Given, CFA, and Howard C. Greene, CFA

Every sector of the bond market gained ground during the period. High-yield corporate bonds remained the top performers, though rising interest rates and a significant increase in new issues led to a sharp pullback in the high yield market late in the period. Among investment-grade sectors, mortgage-backed securities posted the best returns, while corporate bonds lagged.

In an environment of rising interest rates, U.S. bonds produced modestly positive returns in the first half of 2007.

Fund performance

For the six months ended June 30, 2007, John Hancock Income Securities Trust produced a total return of 1.14% at net asset value (NAV) and 1.45% at market value. The Fund's NAV return and its market performance differ because the market share price is subject to the dynamics of secondary market trading, which could cause it to trade at a discount or premium to the Fund's NAV share price at any time. The Fund's yield at closing market price on June 30, 2007 was 6.53%. By comparison, the average closed-end intermediate-term bond fund returned 1.92%, according to Morningstar, Inc., and the Lehman Brothers Government/Credit Bond Index returned 0.97%.

Overweight positions in high-yield corporate bonds and mortgage-backed securities helped the portfolio outperform its benchmark index, but our Morningstar peer group has an even higher average weighting in high-yield bonds, and that factor contributed to our underperformance of the peer group average.

High yield added value

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The portfolio's outperformance of its benchmark index was driven in part by our position in high-yield corporate bonds, which outperformed during the six-month period. Although we reduced our overall exposure

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to corporate bonds during the period, we mainly sold investment-grade corporate securities and maintained our weighting in lower-quality corporate bonds.

We cut back on our investment-grade holdings because of concerns about event risk—leveraged buyouts, special dividends and other actions that favor stockholders over bondholders. In contrast, event risk has little impact on the lower-quality segment of the market, where companies are typically too debt-heavy to take on additional borrowing. Another factor in favor of high yield bonds was the positive fundamental backdrop: solid balance sheets, healthy corporate earnings growth and very few defaults.

Many of the top-performing bonds in the portfolio were high yield securities. The best contributor was Cinemark, Inc., which owns a chain of movie theaters. The CCC-rated bonds rallied as business conditions improved, the summer movie season appeared promising and the company successfully reduced its debt load. Another strong performer was shipping company Navios Maritime Holdings, Inc., which benefited from the strength of global trade. Toward the end of the period, we sold some high yield bonds that had enjoyed a strong run-up, including car rental company Avis, clothing maker Hanes Brands and food services provider Aramark.

The weakest performers among corporate securities tended to be longer-term bonds that suffer greater price declines when interest rates rise. An example was a bond issued by Liberty Mutual Group, a property and casualty insurer, that matures in 2036. The combination of a long maturity and general weakness among finance-related companies because of the subprime lending problems weighed on this bond.

SECTOR DISTRIBUTION¹

Government	
U.S. agency	42%
Mortgage bonds	18%
Financials	13%
Consumer discretionary	6%
Utilities	5%
Materials	4%
Telecommunication	
services	3%
Industrials	3%
Energy	2%
Health care	1%
Government U.S.	1%
Consumer staples	1%

Upgrading mortgage holdings

We modestly increased our position in mortgage-backed securities, the largest sector weighting in the portfolio, which provided a boost to performance during the period. Within the mortgage segment, we improved the credit quality of our holdings by increasing our exposure to mortgage-backed securities issued by government agencies. We also added

Income Securities Trust

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a small position in interest-only bonds, which represent ownership in the interest payments of a pool of mortgages. These securities typically increase in value when the housing market weakens and mortgage prepayment activity declines, as it has in recent months.

Overweight positions in high-yield corporate bonds and mortgage-backed securities helped the portfolio outperform its benchmark index

Benefiting from the steeper yield curve

The steeper yield curve during the period also boosted Fund performance modestly. We positioned the portfolio to benefit from this steeper environment by reducing exposure to short- and long-term securities and shifting these assets into the intermediate sector of the market, with maturities ranging from seven to 10 years. We expect the yield curve to grow steeper going forward and plan to maintain this positioning.

Outlook

Recent signs of resilience in the U.S. economy are likely to keep the Fed on hold through the end of the year. Nonetheless, we expect the housing market to weaken further, which should keep economic growth at a below-trend rate in the second half of 2007. We intend to remain overweight in mortgage-backed securities, though we are positioned defensively within the mortgage sector, and we believe corporate bonds can continue to outperform in a relatively stable credit environment.

This commentary reflects the views of the portfolio managers through the end of the Fund's period discussed in this report. The managers' statements reflect their own opinions. As such, they are in no way guarantees of future events, and are not intended to be used as investment advice or a recommendation regarding any specific security. They are also subject to change at any time as market and other conditions warrant.

See the prospectus for the risks of investing in high yield bonds.

1 As a percentage of the Fund's net assets plus the value of preferred shares on June 30, 2007.

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Fund's investments

FINANCIAL STATEMENTS

Securities owned by the Fund on 6-30-07 (unaudited)

This schedule is divided into five main categories: bonds, preferred stocks, tranche loans, U.S. government and agencies securities, and short-term investments. Bonds, preferred stocks, tranche loans, and U.S. government and agencies securities are further broken down by industry group. Short-term investments, which represent the Fund's cash position, are listed last.

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Bonds 80.84%					\$136,441,134

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(Cost \$137,441,206)

Advertising 0.28% **473,750**

R.H. Donnelley Corp.,						
Sr Disc Note Ser A-1	6.875%	01-15-13	B	\$200	189,500	
Sr Disc Note Ser A-2	6.875	01-15-13	B	300	284,250	

Aerospace & Defense 0.14% **242,400**

TransDigm, Inc.,						
Sr Sub Note (S)	7.750	07-15-14	B	240	242,400	

Agricultural Products 0.30% **506,850**

Chaoda Modern Agriculture (Holdings) Ltd.,						
Gtd Sr Note (Cayman Islands) (F)(L)(S)	7.750	02-08-10	BB	545	506,850	

Airlines 1.03% **1,736,583**

Continental Airlines, Inc.,						
Pass Thru Ctf Ser 1999-1A	6.545	02-02-19	A	362	368,718	
Pass Thru Ctf Ser 2000-2 Class B (L)	8.307	10-02-19	BB	398	408,471	
Pass Thru Ctf Ser 2001-1 Class C	7.033	06-15-11	B+	130	129,238	

Delta Airlines, Inc.,						
Sr Pass Thru Ctf Ser 02-1	6.417	07-02-12	AAA	825	830,156	

Apparel Retail 0.13% **223,300**

Hanesbrands, Inc.,						
Gtd Sr Floating Rate Note Ser B (P)	8.784	12-15-14	B	220	223,300	

Automotive Retail 0.12% **202,000**

Avis Budget Car Rental LLC,						
Gtd Sr Note	7.625	05-15-14	BB	200	202,000	

Broadcasting & Cable TV 0.48% **805,694**

Nexstar Finance, Inc.,						
Sr Sub Note	7.000	01-15-14	CCC+	340	336,600	

Rogers Cable, Inc.,						
Sr Sec Note (Canada) (F)	6.750	03-15-15	BB+	455	469,094	

See notes to financial statements

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Casinos & Gaming 4.65%					\$7,846,241
Chukchansi Economic Development Authority, Sr Note (S)	8.000%	11-15-13	BB	\$460	469,200
Fontainbleau Las Vegas Holdings Ltd., Note (S)	10.250	06-15-15	CCC+	290	285,650
Jacobs Entertainment, Inc., Gtd Sr Note	9.750	06-15-14	B	500	519,375
Little Traverse Bay Bands of Odawa Indians, Sr Note (S)	10.250	02-15-14	B	500	515,000
Mashantucket West Pequot, Bond (S)	5.912	09-01-21	BBB	285	265,375
MTR Gaming Group, Inc., Gtd Sr Sub Note Ser B	9.000	06-01-12	B	290	305,225
Pinnacle Entertainment, Inc., Sr Sub Note (L)(S)	7.500	06-15-15	B	1,000	965,000
Pokagon Gaming Authority, Sr Note (S)	10.375	06-15-14	B	215	237,038
Seminole Hard Rock Entertainment, Sr Sec Note (P)(S)	7.848	03-15-14	BB	500	503,750
Seminole Tribe of Florida, Bond (S)	6.535	10-01-20	BBB	650	620,327
Seneca Gaming Corp., Sr Note	7.250	05-01-12	BB	875	887,031
Shingle Springs Tribal Gaming Authority,					

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Sr Note (S)	9.375	06-15-15	B	200	201,750
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Turning Stone Casino Resort Enterprise, Sr Note (S)	9.125	09-15-14	B+	1,540	1,566,950
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Waterford Gaming LLC, Sr Note (S)	8.625	09-15-12	BB	484	504,570
Commodity Chemicals 0.44%					743,225
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Lyondell Chemical Co., Gtd Sr Sub Note	10.875	05-01-09	B	500	500,000
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Sterling Chemicals, Inc., Sr Sec Note (S)	10.250	04-01-15	B	235	243,225
Construction & Farm Machinery & Heavy Trucks 0.30%					501,250
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Manitowoc Co., Inc. (The), Gtd Sr Note	7.125	11-01-13	BB	500	501,250
Consumer Finance 2.67%					4,513,026
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Ford Motor Credit Co., Note	7.375	10-28-09	B	1,625	1,613,066
Sr Note	9.875	08-10-11	B	295	309,642
Sr Note	8.000	12-15-16	B	140	134,099
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General Motors Acceptance Corp., Note	6.750	12-01-14	BB+	550	526,711
Sr Note	6.000	12-15-11	BB+	465	442,076

See notes to financial statements

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Consumer Finance (continued)					
<hr/>					
HSBC Finance Capital Trust IX, Gtd Note (5.911% to 11-30-15 then variable)	5.911%	11-30-35	A	\$800	\$774,566

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Nelnet, Inc., Note	7.400	09-29-36	BBB	715	712,866
Department Stores 0.28%					481,952
Penney, J.C. Co., Inc., Deb	7.650	08-15-16	BBB	445	481,952
Diversified Banks 3.92%					6,610,572
Banco Mercantil del Norte SA, Sub Note (Mexico) (F)(S)	6.862	10-13-21	Baa2	685	684,299
Bancolombia SA, Sub Bond (Colombia) (F)	6.875	05-25-17	Baa3	340	329,375
Bank of New York, Cap Security (S)	7.780	12-01-26	A	650	675,285
Barclays Bank Plc, Perpetual Bond (6.860% to 6-15-32 then variable) (United Kingdom) (F)(S)	6.860	09-29-49	A+	1,655	1,692,171
Chuo Mitsui Trust & Banking Co., Ltd., Perpetual Sub Note (5.506% to 4-15-15 then variable) (Japan) (F)(S)	5.506	12-15-49	Baa1	940	887,262
Lloyds TSB Group Plc, Bond (United Kingdom) (F)(S)	6.267	11-14-49	A	730	692,538
Royal Bank of Scotland Group Plc, Perpetual Bond (7.648% to 9-30-31 then variable) (United Kingdom) (F)	7.648	08-29-49	A	650	724,684
Societe Generale, Sub Note (France) (F)(S)	5.922	04-05-49	A+	460	445,386
Standard Chartered Plc, Bond (Great Britain) (F)(P)(S)	7.014	06-30-49	BBB+	500	479,572
Diversified Chemicals 1.40%					2,361,975
Mosiac Co. (The), Sr Note (S)	7.625	12-01-16	BB	290	296,525
NOVA Chemicals Corp.					

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Med Term Note (Canada) (F)(L)	7.400	04-01-09	B+	2,045	2,065,450
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Diversified Commercial & Professional Services 0.46%					771,516
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Hutchison Whampoa
International Ltd.,

Gtd Sr Note (Cayman Islands) (F)(S)	6.500	02-13-13	A	750	771,516
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Diversified Financial Services 1.44%					2,428,690
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Comerica Capital Trust II,
Gtd Bond

6.576	02-20-37	BBB+	350	327,526
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Cosan Finance Ltd.,

Gtd Bond (Brazil) (F)(S)	7.000	02-01-17	BB	300	290,640
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See notes to financial statements

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Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Diversified Financial Services (continued)					

Huntington Capital III,
Gtd Sub Bond (P)

6.650%	05-15-37	BBB	\$590	\$564,298
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QBE Capital Funding II LP,
Gtd Sub Bond (Jersey
Islands) (P)(S)

6.797	06-29-49	BBB	695	678,640
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SMFG Preferred Capital Ltd.,
Perpetual Bond (6.078% to 1-25-17
then variable) (Cayman Islands) (F)(S)

6.078	01-25-49	BBB	590	567,586
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Diversified Metals & Mining 0.38%					647,500
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Freeport-McMoRan Copper &
Gold, Inc.,
Sr Note

8.375	04-01-17	BB	130	138,775
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Vedanta Resources Plc,
Sr Note (United Kingdom) (F)(S)

6.625	02-22-10	BB	510	508,725
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Electric Utilities 5.38% **9,080,625**

Abu Dhabi National Energy Co., Bond (United Arab Emirates) (F)(S)	6.500	10-27-36	A+	935	907,171
AES Eastern Energy LP, Pass Thru Ctf Ser 1999-A	9.000	01-02-17	BB+	1,034	1,152,483
Beaver Valley Funding Corp., Sec Lease Obligation Bond	9.000	06-01-17	BBB	506	563,922
BVPS II Funding Corp., Collateralized Lease Bond	8.890	06-01-17	BBB	700	778,222
FPL Energy National Wind, Sr Sec Note (S)	5.608	03-10-24	BBB	358	346,868
HQI Transelect Chile SA, Sr Note (Chile) (F)	7.875	04-15-11	BBB	1,230	1,297,002
Indiantown Cogeneration LP, 1st Mtg Note Ser A-9	9.260	12-15-10	BB+	338	357,922
IPALCO Enterprises, Inc., Sr Sec Note	8.625	11-14-11	BB	325	347,750
Monterrey Power SA de CV, Sr Sec Bond (Mexico) (F)(S)	9.625	11-15-09	BBB	514	556,754
Pepco Holdings, Inc., Note	6.450	08-15-12	BBB	565	579,746
PNPP II Funding Corp., Deb	9.120	05-30-16	BBB	458	509,062
TXU Corp., Sec Bond	7.460	01-01-15	BB	545	548,802
Waterford 3 Funding Corp., Sec Lease Obligation Bond	8.090	01-02-17	BBB	1,111	1,134,921

Electrical Components & Equipment 0.57% **955,000**

Freescale Semiconductor, Inc., Sr Note (L)(S)	8.875	12-15-14	B	1,000	955,000
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Electronic Equipment Manufacturers 0.47% **791,189**

Thomas & Betts Corp., Sr Note	7.250	06-01-13	BBB	775	791,189
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See notes to financial statements

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Gas Utilities 0.60%					\$1,013,906
KN Capital Trust I, Gtd Cap Security Ser B	8.560%	04-15-27	B	\$445	448,160
Southern Union Co., Jr Sub Note	7.200	11-01-66	BB	565	565,746
Health Care Equipment 0.13%					221,564
Hospira, Inc., Sr Note	6.050	03-30-17	BBB	225	221,564
Health Care Facilities 0.62%					1,040,000
Sun Healthcare Group, Inc., Sr Sub Note (S)	9.125	04-15-15	CCC+	1,000	1,040,000
Health Care Services 0.57%					966,800
Alliance Imaging, Inc., Sr Sub Note (L)	7.250	12-15-12	B	440	426,800
HEALTHSOUTH Corp., Gtd Sr Floating Rate Note (P)	11.354	06-15-14	CCC+	500	540,000
Industrial Machinery 0.27%					460,082
Trinity Industries, Inc., Pass Thru Ctf (S)	7.755	02-15-09	Baa2	457	460,082
Insurance 0.33%					550,000

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Merna Reinsurance Ltd., Sub Note Ser B (P)	7.110	07-07-10	A2	550	550,000
Integrated Oil & Gas 1.14%					1,926,110
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Pemex Project Funding Master Trust, Gtd Note	9.125	10-13-10	BBB	615	676,500
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Petro-Canada, Deb (Canada) (F)	9.250	10-15-21	BBB	1,000	1,249,610
Integrated Telecommunication Services 2.06%					3,473,488
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Axtel SAB de CV, Sr Note (Mexico) (F)(S)	7.625	02-01-17	BB	520	514,800
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Bellsouth Corp., Deb	6.300	12-15-15	A	957	968,752
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Qwest Capital Funding, Inc., Gtd Note	7.000	08-03-09	B+	1,000	1,000,000
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Sprint Capital Corp., Gtd Sr Note	6.900	05-01-19	BBB+	1,000	989,936
Investment Banking & Brokerage 0.46%					783,135
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Mizuho Financial Group Cayman Ltd., Gtd Sub Bond (Cayman Islands) (F)	8.375	12-29-49	A2	750	783,135
IT Consulting & Other Services 0.24%					398,406
<hr/>					
NCR Corp., Note	7.125	06-15-09	BBB	390	398,406
Life & Health Insurance 0.43%					719,092
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Lincoln National Corp., Jr Sub Bond	6.050	04-20-67	A	250	238,696
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Provident Financing Trust I, Gtd Cap Security (L)	7.405	03-15-38	B+	485	480,396
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Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Marine 1.09%					\$1,838,400
CMA CGM SA, Sr Note (France) (F)(S)	7.250%	02-01-13	BB+	\$700	714,000
Minerva Overseas Ltd., Gtd Note (Cayman Islands) (F)(S)	9.500	02-01-17	B	680	700,400
Navios Maritime Holdings, Inc., Sr Note (Marshall Islands) (F)(S)	9.500	12-15-14	B	400	424,000
Metal & Glass Containers 0.65%					1,091,200
Blaze Recycling & Metals LLC, Sr Sec Note (M)(S)	10.875	07-15-12	B	60	61,200
Owens-Brockway Glass Container, Inc., Gtd Sr Note	8.250	05-15-13	B	500	517,500
Vitro SA de CV, Sr Note (Mexico) (F)(S)	9.125	02-01-17	B	500	512,500
Movies & Entertainment 0.13%					222,950
Cinemark, Inc., Sr Disc Note (P)	9.750	03-15-14	CCC+	245	222,950
Multi-Line Insurance 1.86%					3,148,325
Allstate Corp. (The), Jr Sub Deb (6.125% to 5-15-17 then variable)	6.125	05-15-37	A	350	337,196
Genworth Financial, Inc., Jr Sub Note	6.150	11-15-66	BBB+	430	407,559
Horace Mann Educators Corp., Sr Note	6.850	04-15-16	BBB	395	399,351
Liberty Mutual Group, Bond (S)	7.500	08-15-36	BBB	885	897,540
Gtd Jr Sub Bond (S)	7.800	03-15-37	BB+	705	663,779
Sul America Participacoes SA,					

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Bond (Brazil) (F)(S)	8.625	02-15-12	B	430	442,900
Multi-Media 0.66%					1,119,383
<hr/>					
News America Holdings, Gtd Sr Deb	7.750	01-20-24	BBB	1,020	1,119,383
Multi-Utilities 1.44%					2,424,916
<hr/>					
CalEnergy Co., Inc., Sr Bond	8.480	09-15-28	BBB+	550	679,188
<hr/>					
Dynegy-Roseton Danskamme, Gtd Pass Thru Ctf Ser B	7.670	11-08-16	B	500	517,500
<hr/>					
Salton Sea Funding Corp., Sec Note Ser C	7.840	05-30-10	BBB	1,204	1,228,228
Office Services & Supplies 0.41%					687,271
<hr/>					
Xerox Corp., Sr Note	6.750	02-01-17	BB+	670	687,271
Oil & Gas Drilling 0.17%					282,495
<hr/>					
Delek & Avner-Yam Tethys Ltd., Sr Sec Note (Israel) (F)(S)	5.326	08-01-13	BBB	291	282,495

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Income Securities Trust

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Oil & Gas Equipment & Services 0.20%					\$334,581
<hr/>					
Allis-Chalmers Energy Inc., Gtd Sr Note	8.500%	03-01-17	B	\$335	334,581
Oil & Gas Refining & Marketing 0.18%					303,458
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Premcor Refining Group, Inc., Sr Note	9.500	02-01-13	BBB	285	303,458

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Oil & Gas Storage & Transportation 1.76% **2,965,737**

Energy Transfer Partners LP,
Gtd Sr Note 5.950 02-01-15 BBB 960 944,725

Markwest Energy Partners LP/Markwest
Energy Finance Corp.,
Gtd Sr Note 8.500 07-15-16 B 545 554,538

TEPPCO Partners LP,
Jr Sub Note (P) 7.000 06-01-67 BB 695 662,474

Williams Partners LP,
Gtd Sr Note 7.250 02-01-17 BB+ 800 804,000

Paper Packaging 0.87% **1,471,025**

MDP Acquisitions Plc,
Sr Note (Ireland) (F) 9.625 10-01-12 B 70 73,325

Smurfit-Stone Container Enterprises, Inc.,
Sr Note 8.375 07-01-12 CCC+ 1,000 1,001,250
Sr Note 8.000 03-15-17 CCC+ 245 237,650

US Corrugated, Inc.
Sr Sec Note 10.000 06-01-13 CCC+ 160 158,800

Paper Products 1.09% **1,840,906**

Graphic Packaging International Corp.,
Sr Note 8.500 08-15-11 B 445 455,013

Plum Creek Timber Co., Inc.,
Gtd Note 5.875 11-15-15 BBB 365 353,393

Verso Paper Holdings LLC,
Sr Sec Note (S) 9.125 08-01-14 B+ 1,000 1,032,500

Property & Casualty Insurance 0.76% **1,286,295**

Chubb Corp. (The),
Sub Note 6.375 03-29-67 BBB+ 500 488,950

Ohio Casualty Corp.,
Sr Note 7.300 06-15-14 BBB 750 797,345

Publishing 0.10% **171,700**

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Idearc, Inc., Gtd Sr Note	8.000	11-15-16	B+	170	171,700
Real Estate Management & Development 1.61%					2,722,024

Healthcare Realty Trust, Inc., Sr Note	8.125	05-01-11	BBB	175	188,284
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Health Care REIT, Inc., Sr Note	6.200	06-01-16	BBB	505	500,309
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Post Apartment Homes, Sr Note	5.125	10-12-11	BBB	870	844,518
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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
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Real Estate Management & Development (continued)

Shimao Property Holding Ltd., Gtd Sr Note (Cayman Islands) (F)(S)	8.000%	12-01-16	BB+	\$940	\$942,350
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Ventas Realty LP/Capital Corp., Sr Note	6.625	10-15-14	BB+	250	246,563
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Regional Banks 1.60%

NB Capital Trust IV, Gtd Cap Security	8.250	04-15-27	A	1,170	1,217,153
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Sovereign Capital Trust VI, Gtd Note	7.908	06-13-36	BB+	480	512,919
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Suntrust Capital VIII, Gtd Bond (6.100% to 12-15-36 then variable)	6.100	12-01-66	A	1,065	975,280
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Soft Drinks 0.61%

Panamerican Beverages, Inc.,

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Sr Note (Panama) (F)	7.250	07-01-09	BBB+	1,000	1,027,615
Specialized Finance 2.49%					4,197,680
<hr/>					
Astoria Depositor Corp., Pass Thru Ctf Ser B (G)(S)	8.144	05-01-21	BB	1,000	1,080,000
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Bosphorous Financial Services, Sec Floating Rate Note (P)(S)	7.160	02-15-12	Baa2	500	505,049
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Drummond Co., Inc., Sr Note (L)(S)	7.375	02-15-16	BB	500	475,000
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ESI Tractebel Acquisition Corp., Gtd Sec Bond Ser B	7.990	12-30-11	BB	919	932,861
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Graftech Finance, Inc., Gtd Sr Note	10.250	02-15-12	B	401	420,048
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USB Realty Corp., Perpetual Bond (6.091% to 1-15-12 then variable) (S)	6.091	12-15-49	A+	800	784,722
Specialty Chemicals 0.27%					455,569
<hr/>					
American Pacific Corp., Sr Note (S)	9.000	02-01-15	B	445	455,569
Steel 0.77%					1,301,150
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Metallurg Holdings, Inc., Sr Sec Note (G)(S)	10.500	10-01-10	B	615	639,600
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WCI Steel Acquisition, Inc., Sr Sec Note (G)	8.000	05-01-16	B+	655	661,550
Thrifths & Mortgage Finance 27.79%					46,904,344
<hr/>					
American Home Mortgage Assets, Interest Only Ser 2006-6 Class XP IO (P)	2.457	12-25-46	AAA	14,717	763,460
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American Tower Trust, Mtg Pass Thru Ctf Ser 2007-1A Class D (S)	5.957	04-15-37	BBB	865	843,307
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Banc of America Commercial Mortgage, Inc., Mtg Pass Thru Ctf Ser 2005-6					

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Class A4 (P)	5.353	09-10-47	AAA	300	289,335
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Income Securities Trust

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Thriffs & Mortgage Finance (continued)					
<hr/>					
Banc of America Funding Corp., Mtg Pass Thru Ctf Ser 2006-B Class 6A1 (P)	5.881%	03-20-36	AAA	\$1,089	\$1,088,474
Mtg Pass Thru Ctf Ser 2006-D Class 6B2 (P)	5.953	05-20-36	AA	1,827	1,774,792
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Bear Stearns Adjustable Rate Mortgage Trust, Mtg Pass Thru Ctf Ser 2005-1 Class B2 (P)	4.866	03-25-35	AA+	849	833,867
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Bear Stearns Alt-A Trust, Mtg Pass Thru Ctf Ser 2005-3 Class B2 (P)	5.300	04-25-35	AA+	597	592,558
Mtg Pass Thru Ctf Ser 2006-1 Class 23A1 (P)	5.621	02-25-36	AAA	983	975,713
Mtg Pass Thru Ctf Ser 2006-4 Class 3B1	6.342	07-25-36	AA	2,527	2,532,941
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Bear Stearns Commercial Mortgage Securities, Inc., Mtg Pass Thru Ctf Ser 2006-PW14 Class D (P)	5.412	12-01-38	A	655	616,128
<hr/>					
Citigroup Mortgage Loan Trust, Inc., Mtg Pass Thru Ctf Ser 2005-10 Class 1A5A (P)	5.852	12-25-35	AAA	836	834,413
Mtg Pass Thru Ctf Ser 2005-5 Class 2A3	5.000	08-25-35	AAA	573	551,078
<hr/>					
Citigroup/Deutsche Bank Commercial Mortgage Group,					

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Mtg Pass Thru Ctf Ser 2005-CD1 Class C (P)	5.400	07-15-44	AA	295	281,912
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ContiMortgage Home Equity Loan Trust, Mtg Pass Thru Ctf Ser 1995-2 Class A-5	8.100	08-15-25	AAA	90	89,799
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Countrywide Alternative Loan Trust, Interest Only Ser 2005-59 Class 2X IO (P)	1.988	11-20-35	AAA	8,765	316,346
Interest Only Ser 2006-0A10 Class XPP IO (P)	1.943	08-25-46	AAA	4,446	191,727
Interest Only Ser 2006-0A12 Class X IO (P)	2.614	09-20-46	AAA	20,622	992,417
Mtg Pass Thru Ctf Ser 2006-0A8 Class X IO (P)	1.953	07-25-46	AAA	11,151	496,572
Mtg Pass Thru Ctf Ser 2006-0A8 Class X IO	2.000	06-25-47	AAA	7,780	359,825
Mtg Pass Thru Ctf Ser 2006-11CB Class 3A1	6.500	05-25-36	Aaa	3,496	3,501,340

Crown Castle Towers LLC, Mtg Pass Thru Ctf Ser 2006-1A Class G	6.795	11-15-36	Ba2	3,000	2,956,037
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DB Master Finance LLC, Sub Bond Ser 2006-1 Class M1 (S)	8.285	06-20-31	BB	340	343,392
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Income Securities Trust

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Thriffs & Mortgage Finance (continued)					
Domino's Pizza Master Issuer LLC, Mtg Pass Thru Ctf Ser 2007-1 Class M1 (S)	7.629%	04-25-37	BB	\$1,000	\$980,834

First Horizon Alternative
Mortgage Securities,

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Mtg Pass Thru Ctf Ser 2004-AA5					
Class B1 (P)	5.217	12-25-34	AA	477	467,941
Mtg Pass Thru Ctf Ser 2006-AA2					
Class B1 (G)(P)	6.195	05-25-36	AA	1,548	1,552,390
Global Signal Trust,					
Sub Bond Ser 2004-2A Class D (S)	5.093	12-15-14	Baa2	495	483,027
Sub Bond Ser 2006-1 Class E (S)	6.495	02-15-36	Baa3	460	459,621
GSR Mortgage Loan Trust,					
Mtg Pass Thru Ctf Ser 2004-9					
Class B1 (G)(P)	5.074	08-25-34	AA	1,175	1,158,523
Mtg Pass Thru Ctf Ser 2006-4F					
Class 6A1	6.500	05-25-36	AAA	4,167	4,192,057
Indymac Index Mortgage Loan Trust,					
Mtg Pass Thru Ctf Ser 2004-AR13					
Class B1	5.296	01-25-35	AA	418	417,073
Mtg Pass Thru Ctf Ser 2005-AR18					
Class 1X IO	1.934	10-25-36	AAA	19,806	569,422
Mtg Pass Thru Ctf Ser 2005-AR5					
Class B1 (P)	5.374	05-25-35	AA	522	520,336
Mtg Pass Thru Ctf Ser 2006-AR19					
Class 1B1 (P)	6.419	08-25-36	AA	453	458,280
JP Morgan Chase Commercial Mortgage Security Corp.,					
Mtg Pass Thru Ctf Ser 2005-LDP4					
Class B	5.129	10-15-42	Aa2	2,035	1,923,640
JP Morgan Mortgage Trust,					
Mtg Pass Thru Ctf Ser 2005-S3					
Class 2A2	5.500	01-25-21	AAA	940	920,340
Merrill Lynch Mortgage Investors Trust,					
Mtg Pass Thru Ctf Ser 2006-AF1					
Class MF1	6.102	08-25-36	AA	1,230	1,202,571
Morgan Stanley Capital I,					
Mtg Pass Thru Ctf Ser 2005-HQ7					
Class A4 (P)	5.373	11-14-42	AAA	840	810,004
Mtg Pass Thru Ctf Ser 2006-IQ12					
Class E	5.538	12-15-43	A+	640	610,345
Provident Funding Mortgage Loan Trust,					
Mtg Pass Thru Ctf Ser 2005-1					

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Class B1 (P)	4.352	05-25-35	AA	419	411,944
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Residential Accredited Loans, Inc., Mtg Pass Thru Ctf Ser 2005-QA12					
Class NB5 (P)	5.973	12-25-35	AAA	3,435	3,432,393
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SBA CMBS Trust,					
Sub Bond Ser 2005-1A Class D (S)	6.219	11-15-35	Baa2	225	225,534
Sub Bond Ser 2005-1A Class E (S)	6.706	11-15-35	Baa3	200	201,375

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Thriffs & Mortgage Finance (continued)					
<hr/>					
SBA CMBS Trust,					
Sub Bond Ser 2006-1A Class H (S)	7.389%	11-15-36	Ba3	\$365	\$360,917
Sub Bond Ser 2006-1A Class J (S)	7.825	11-15-36	B1	220	217,565
<hr/>					
Washington Mutual Alternative Loan Trust, Mtg Pass Thru Ctf Ser 2005-6					
Class 1CB	6.500	08-25-35	AAA	528	528,567
<hr/>					
Washington Mutual, Inc., Mtg Pass Thru Ctf Ser 2005-AR4					
Class B1 (P)	4.672	04-25-35	AA	1,512	1,467,613
Mtg Pass Thru Ctf Ser 2007-0A4 Class XPPP IO	0.813	04-25-47	Aaa	20,670	423,735
Mtg Pass Thru Ctf Ser 2007-0A5 Class 1XPP IO	0.626	06-25-47	Aaa	48,960	734,393
Mtg Pass Thru Ctf Ser 2007-0A6 Class 1XPP IO	0.485	07-25-47	Aaa	28,190	377,746
Mtg Pass Thru Ctf Ser 2007-1 Class B1	6.205	02-25-37	AA	578	570,725
Tobacco 0.76%					1,283,395

Alliance One International, Inc.,

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Gtd Sr Note (S)	8.500	05-15-12	B	240	245,400
<hr/>					
Reynolds American, Inc., Gtd Sr Sec Note	7.250	06-01-13	BB	1,000	1,037,995
Wireless Telecommunication Services 1.88%					3,179,442
<hr/>					
Citizens Communications Co., Sr Note	6.250	01-15-13	BB+	460	441,025
<hr/>					
Crown Castle Towers LLC, Sub Bond Ser 2005-1A Class D	5.612	06-15-35	Baa2	1,340	1,321,911
<hr/>					
Digicel Group Ltd., Sr Note (Bermuda) (F)(L)(S)	8.875	01-15-15	Caa2	520	509,600
<hr/>					
Mobile Telesystems Finance SA, Gtd Sr Note (Luxembourg) (F)(S)	9.750	01-30-08	BB	400	407,120
<hr/>					
Nextel Communications, Inc., Sr Note Ser D	7.375	08-01-15	BBB	500	499,786
<hr/>					
Issuer, description			Credit rating (A)	Shares	Value
<hr/>					
Preferred stocks 5.36% (Cost \$9,018,146)					\$9,042,394
Agricultural Products 0.62%					1,039,844
<hr/>					
Ocean Spray Cranberries, Inc., 6.25%, Ser A (S)			BB+	12,500	1,039,844
Broadcasting & Cable TV 0.59%					1,004,400
<hr/>					
CBS Corp., 7.250%			BBB	40,000	1,004,400
Diversified Banks 0.83%					1,397,550
<hr/>					
Bank One Capital Trust VI, 7.20%			A	55,000	1,397,550
Diversified Metals & Mining 0.76%					1,285,000
<hr/>					
Freeport-McMoRan Copper & Gold, Inc., 6.75%, Conv			B+	10,000	1,285,000

See notes to financial statements

Income Securities Trust

FINANCIAL STATEMENTS

Issuer, description		Credit rating (A)	Shares	Value	
Integrated Telecommunication Services 0.58%				\$980,000	
Telephone & Data Systems, Inc., 7.60%, Ser A		BB+	40,000	980,000	
Multi-Utilities 0.60%				1,012,400	
Dominion CNG Capital Trust I, 7.80%		BB+	40,000	1,012,400	
Real Estate Management & Development 1.38%				2,323,200	
Apartment Investment & Management Co., 8.00%, Ser T		B+	55,000	1,377,200	
Public Storage, Inc., 6.50%, Depository Shares, Ser W		BBB+	40,000	946,000	
Issuer, description, maturity date		Credit rating (A)	Par value (000)	Value	
Tranche loans 0.12% (Cost \$199,497)				\$199,746	
Education Services 0.12%				199,746	
Riverdeep Interactive Learning Ltd., Tranche B, 11-28-13		B	\$199	199,746	
Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
U.S. government and agencies securities 65.73% (Cost \$112,631,823)				\$110,937,011	
Government U.S. 0.96%				1,612,131	
United States Treasury, Note (L)	4.750%	05-15-14	AAA	\$150	148,125
Note (L)	4.500	05-15-17	AAA	1,045	1,001,894
Note (L)	4.250	11-15-13	AAA	480	462,112
Government U.S. Agency 64.77%				109,324,880	
Federal Home Loan Mortgage Corp.,					

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20 Yr Pass Thru Ctf	11.250	01-01-16	AAA	16	16,676
30 Yr Adj Rate Pass Thru Ctf (P)	5.157	11-01-35	AAA	2,091	2,020,442
30 Yr Pass Thru Ctf	6.000	08-01-34	AAA	2,109	2,089,647
30 Yr Pass Thru Ctf	5.500	04-01-33	AAA	1,648	1,597,192
CMO REMIC 2978-CL	5.500	01-15-31	AAA	2,695	2,653,481
CMO REMIC 3174-CB	5.500	02-15-31	AAA	300	297,696
CMO REMIC 3228-PJ	5.500	03-15-29	AAA	415	410,414
CMO REMIC 3245-MC	5.500	10-15-30	AAA	1,425	1,410,363
CMO REMIC 3280-MB	5.500	06-15-30	AAA	1,720	1,695,544
CMO REMIC 3294-NB	5.500	12-15-29	AAA	340	335,079
CMO REMIC 3294-ND	5.500	05-15-35	AAA	3,000	2,881,432
CMO REMIC 3320-PB	5.500	11-15-31	AAA	1,030	1,018,295

Federal National Mortgage Assn.,

15 Yr Pass Thru Ctf	7.000	09-01-10	AAA	18	17,932
15 Yr Pass Thru Ctf	7.000	09-01-12	AAA	3	2,907
15 Yr Pass Thru Ctf	7.000	04-01-17	AAA	36	37,120
15 Yr Pass Thru Ctf	6.000	05-01-21	AAA	807	810,325
30 Yr Adj Rate Pass Thru Ctf (P)	6.527	08-01-36	AAA	8,636	8,548,171
30 Yr Adj Rate Pass Thru Ctf (P)	5.758	04-01-37	AAA	7,434	7,452,943
30 Yr Adj Rate Pass Thru Ctf (P)	5.315	11-01-35	AAA	3,546	3,485,260
30 Yr Pass Thru Ctf (N)	6.500	07-01-34	AAA	3,020	3,048,311
30 Yr Pass Thru Ctf	6.500	07-01-36	AAA	403	407,408
30 Yr Pass Thru Ctf	6.500	12-01-36	AAA	426	429,699

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FINANCIAL STATEMENTS

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Government U.S. Agency (continued)					

Federal National Mortgage Assn.,