

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 DISTRIBUTION<sup>1</sup>

|                        |     |
|------------------------|-----|
| 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

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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                |
|---------------------|---------------|---------------|-------------------|-----------------|----------------------|
| <b>Bonds 80.84%</b> |               |               |                   |                 | <b>\$136,441,134</b> |

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(Cost \$137,441,206)

**Advertising 0.28%** **473,750**

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|                       |        |          |   |       |         |  |
|-----------------------|--------|----------|---|-------|---------|--|
| 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**

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

**Agricultural Products 0.30%** **506,850**

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|   |       |          |    |     |         |  |
|---|-------|----------|----|-----|---------|--|
| Chaoda Modern Agriculture<br>(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**

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|                                      |       |          |    |     |         |  |
|--------------------------------------|-------|----------|----|-----|---------|--|
| 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**

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|                                     |       |          |   |     |         |  |
|-------------------------------------|-------|----------|---|-----|---------|--|
| 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**

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

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

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|                        |       |          |      |     |         |  |
|------------------------|-------|----------|------|-----|---------|--|
| 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              |
|---|---------------|---------------|-------------------|-----------------|--------------------|
| <b>Casinos &amp; Gaming 4.65%</b>                       |               |               |                   |                 | <b>\$7,846,241</b> |
| 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          |
| <hr/>   |        |          |     |       |                  |
| Turning Stone Casino Resort Enterprise,<br>Sr Note (S)            | 9.125  | 09-15-14 | B+  | 1,540 | 1,566,950        |
| <hr/>   |        |          |     |       |                  |
| Waterford Gaming LLC,<br>Sr Note (S)                              | 8.625  | 09-15-12 | BB  | 484   | 504,570          |
| <b>Commodity Chemicals 0.44%</b>                                  |        |          |     |       | <b>743,225</b>   |
| <hr/>   |        |          |     |       |                  |
| Lyondell Chemical Co.,<br>Gtd Sr Sub Note                         | 10.875 | 05-01-09 | B   | 500   | 500,000          |
| <hr/>   |        |          |     |       |                  |
| Sterling Chemicals, Inc.,<br>Sr Sec Note (S)                      | 10.250 | 04-01-15 | B   | 235   | 243,225          |
| <b>Construction &amp; Farm Machinery &amp; Heavy Trucks 0.30%</b> |        |          |     |       | <b>501,250</b>   |
| <hr/>   |        |          |     |       |                  |
| Manitowoc Co., Inc. (The),<br>Gtd Sr Note                         | 7.125  | 11-01-13 | BB  | 500   | 501,250          |
| <b>Consumer Finance 2.67%</b>                                     |        |          |     |       | <b>4,513,026</b> |
| <hr/>   |        |          |     |       |                  |
| Ford Motor Credit Co.,<br>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          |
| <hr/>   |        |          |     |       |                  |
| General Motors Acceptance Corp.,<br>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     |
|--|---------------|---------------|-------------------|-----------------|-----------|
| <b>Consumer Finance (continued)</b>  |               |               |                   |                 |           |
| <hr/>  |               |               |                   |                 |           |
| HSBC Finance Capital Trust IX,<br>Gtd Note (5.911% to 11-30-15<br>then variable) | 5.911%        | 11-30-35      | A                 | \$800           | \$774,566 |

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

|   |  |  |  |  |                |
|---|--|--|--|--|----------------|
| <b>Diversified Commercial &amp; Professional Services 0.46%</b> |  |  |  |  | <b>771,516</b> |
|---|--|--|--|--|----------------|

Hutchison Whampoa  
International Ltd.,

|                                     |       |          |   |     |         |
|-------------------------------------|-------|----------|---|-----|---------|
| Gtd Sr Note (Cayman Islands) (F)(S) | 6.500 | 02-13-13 | A | 750 | 771,516 |
|-------------------------------------|-------|----------|---|-----|---------|

|   |  |  |  |  |                  |
|---|--|--|--|--|------------------|
| <b>Diversified Financial Services 1.44%</b> |  |  |  |  | <b>2,428,690</b> |
|---|--|--|--|--|------------------|

Comerica Capital Trust II,  
Gtd Bond

|       |          |      |     |         |
|-------|----------|------|-----|---------|
| 6.576 | 02-20-37 | BBB+ | 350 | 327,526 |
|-------|----------|------|-----|---------|

Cosan Finance Ltd.,

|                          |       |          |    |     |         |
|--------------------------|-------|----------|----|-----|---------|
| Gtd Bond (Brazil) (F)(S) | 7.000 | 02-01-17 | BB | 300 | 290,640 |
|--------------------------|-------|----------|----|-----|---------|

See notes to financial statements

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| Issuer, description                               | Interest rate | Maturity date | Credit rating (A) | Par value (000) | Value |
|---|---------------|---------------|-------------------|-----------------|-------|
| <b>Diversified Financial Services (continued)</b> |               |               |                   |                 |       |

Huntington Capital III,  
Gtd Sub Bond (P)

|        |          |     |       |           |
|--------|----------|-----|-------|-----------|
| 6.650% | 05-15-37 | BBB | \$590 | \$564,298 |
|--------|----------|-----|-------|-----------|

QBE Capital Funding II LP,  
Gtd Sub Bond (Jersey  
Islands) (P)(S)

|       |          |     |     |         |
|-------|----------|-----|-----|---------|
| 6.797 | 06-29-49 | BBB | 695 | 678,640 |
|-------|----------|-----|-----|---------|

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 |
|-------|----------|-----|-----|---------|

|  |  |  |  |  |                |
|--|--|--|--|--|----------------|
| <b>Diversified Metals &amp; Mining 0.38%</b> |  |  |  |  | <b>647,500</b> |
|--|--|--|--|--|----------------|

Freeport-McMoRan Copper &  
Gold, Inc.,  
Sr Note

|       |          |    |     |         |
|-------|----------|----|-----|---------|
| 8.375 | 04-01-17 | BB | 130 | 138,775 |
|-------|----------|----|-----|---------|

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.,<br>Bond (United Arab Emirates) (F)(S) | 6.500 | 10-27-36 | A+  | 935   | 907,171   |
| AES Eastern Energy LP,<br>Pass Thru Ctf Ser 1999-A                   | 9.000 | 01-02-17 | BB+ | 1,034 | 1,152,483 |
| Beaver Valley Funding Corp.,<br>Sec Lease Obligation Bond            | 9.000 | 06-01-17 | BBB | 506   | 563,922   |
| BVPS II Funding Corp.,<br>Collateralized Lease Bond                  | 8.890 | 06-01-17 | BBB | 700   | 778,222   |
| FPL Energy National Wind,<br>Sr Sec Note (S)                         | 5.608 | 03-10-24 | BBB | 358   | 346,868   |
| HQI Transelect Chile SA,<br>Sr Note (Chile) (F)                      | 7.875 | 04-15-11 | BBB | 1,230 | 1,297,002 |
| Indiantown Cogeneration LP,<br>1st Mtg Note Ser A-9                  | 9.260 | 12-15-10 | BB+ | 338   | 357,922   |
| IPALCO Enterprises, Inc.,<br>Sr Sec Note                             | 8.625 | 11-14-11 | BB  | 325   | 347,750   |
| Monterrey Power SA de CV,<br>Sr Sec Bond (Mexico) (F)(S)             | 9.625 | 11-15-09 | BBB | 514   | 556,754   |
| Pepco Holdings, Inc.,<br>Note  | 6.450 | 08-15-12 | BBB | 565   | 579,746   |
| PNPP II Funding Corp.,<br>Deb  | 9.120 | 05-30-16 | BBB | 458   | 509,062   |
| TXU Corp.,<br>Sec Bond   | 7.460 | 01-01-15 | BB  | 545   | 548,802   |
| Waterford 3 Funding Corp.,<br>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.,<br>Sr Note (L)(S) | 8.875 | 12-15-14 | B | 1,000 | 955,000 |
|--|-------|----------|---|-------|---------|

**Electronic Equipment Manufacturers 0.47%** **791,189**

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|                                  |       |          |     |     |         |
|----------------------------------|-------|----------|-----|-----|---------|
| Thomas & Betts Corp.,<br>Sr Note | 7.250 | 06-01-13 | BBB | 775 | 791,189 |
|----------------------------------|-------|----------|-----|-----|---------|

See notes to financial statements

Income Securities Trust

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## FINANCIAL STATEMENTS

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

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|  |       |          |      |                  |           |
|--|-------|----------|------|------------------|-----------|
| Merna Reinsurance Ltd.,<br>Sub Note Ser B (P)                            | 7.110 | 07-07-10 | A2   | 550              | 550,000   |
| <b>Integrated Oil &amp; Gas 1.14%</b>                                    |       |          |      | <b>1,926,110</b> |           |
| Pemex Project Funding Master Trust,<br>Gtd Note                          | 9.125 | 10-13-10 | BBB  | 615              | 676,500   |
| Petro-Canada,<br>Deb (Canada) (F)  | 9.250 | 10-15-21 | BBB  | 1,000            | 1,249,610 |
| <b>Integrated Telecommunication Services 2.06%</b>                       |       |          |      | <b>3,473,488</b> |           |
| Axtel SAB de CV,<br>Sr Note (Mexico) (F)(S)                              | 7.625 | 02-01-17 | BB   | 520              | 514,800   |
| Bellsouth Corp.,<br>Deb  | 6.300 | 12-15-15 | A    | 957              | 968,752   |
| Qwest Capital Funding, Inc.,<br>Gtd Note                                 | 7.000 | 08-03-09 | B+   | 1,000            | 1,000,000 |
| Sprint Capital Corp.,<br>Gtd Sr Note                                     | 6.900 | 05-01-19 | BBB+ | 1,000            | 989,936   |
| <b>Investment Banking &amp; Brokerage 0.46%</b>                          |       |          |      | <b>783,135</b>   |           |
| Mizuho Financial Group Cayman Ltd.,<br>Gtd Sub Bond (Cayman Islands) (F) | 8.375 | 12-29-49 | A2   | 750              | 783,135   |
| <b>IT Consulting &amp; Other Services 0.24%</b>                          |       |          |      | <b>398,406</b>   |           |
| NCR Corp.,<br>Note   | 7.125 | 06-15-09 | BBB  | 390              | 398,406   |
| <b>Life &amp; Health Insurance 0.43%</b>                                 |       |          |      | <b>719,092</b>   |           |
| Lincoln National Corp.,<br>Jr Sub Bond                                   | 6.050 | 04-20-67 | A    | 250              | 238,696   |
| Provident Financing Trust I,<br>Gtd Cap Security (L)                     | 7.405 | 03-15-38 | B+   | 485              | 480,396   |
| See notes to financial statements  |       |          |      |                  |           |
| Income Securities Trust  |       |          |      |                  |           |

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FINANCIAL STATEMENTS

| Issuer, description  | Interest rate | Maturity date | Credit rating (A) | Par value (000) | Value              |
|--|---------------|---------------|-------------------|-----------------|--------------------|
| <b>Marine 1.09%</b>  |               |               |                   |                 | <b>\$1,838,400</b> |
| CMA CGM SA,<br>Sr Note (France) (F)(S)                                   | 7.250%        | 02-01-13      | BB+               | \$700           | 714,000            |
| Minerva Overseas Ltd.,<br>Gtd Note (Cayman Islands) (F)(S)               | 9.500         | 02-01-17      | B                 | 680             | 700,400            |
| Navios Maritime Holdings, Inc.,<br>Sr Note (Marshall Islands) (F)(S)     | 9.500         | 12-15-14      | B                 | 400             | 424,000            |
| <b>Metal &amp; Glass Containers 0.65%</b>                                |               |               |                   |                 | <b>1,091,200</b>   |
| Blaze Recycling & Metals LLC,<br>Sr Sec Note (M)(S)                      | 10.875        | 07-15-12      | B                 | 60              | 61,200             |
| Owens-Brockway Glass Container, Inc.,<br>Gtd Sr Note                     | 8.250         | 05-15-13      | B                 | 500             | 517,500            |
| Vitro SA de CV,<br>Sr Note (Mexico) (F)(S)                               | 9.125         | 02-01-17      | B                 | 500             | 512,500            |
| <b>Movies &amp; Entertainment 0.13%</b>                                  |               |               |                   |                 | <b>222,950</b>     |
| Cinemark, Inc.,<br>Sr Disc Note (P)                                      | 9.750         | 03-15-14      | CCC+              | 245             | 222,950            |
| <b>Multi-Line Insurance 1.86%</b>  |               |               |                   |                 | <b>3,148,325</b>   |
| Allstate Corp. (The),<br>Jr Sub Deb (6.125% to 5-15-17<br>then variable) | 6.125         | 05-15-37      | A                 | 350             | 337,196            |
| Genworth Financial, Inc.,<br>Jr Sub Note                                 | 6.150         | 11-15-66      | BBB+              | 430             | 407,559            |
| Horace Mann Educators Corp.,<br>Sr Note                                  | 6.850         | 04-15-16      | BBB               | 395             | 399,351            |
| Liberty Mutual Group,<br>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          |
| <b>Multi-Media 0.66%</b>                                      |       |          |      |       | <b>1,119,383</b> |
| <hr/>   |       |          |      |       |                  |
| News America Holdings,<br>Gtd Sr Deb                          | 7.750 | 01-20-24 | BBB  | 1,020 | 1,119,383        |
| <b>Multi-Utilities 1.44%</b>                                  |       |          |      |       | <b>2,424,916</b> |
| <hr/>   |       |          |      |       |                  |
| CalEnergy Co., Inc.,<br>Sr Bond                               | 8.480 | 09-15-28 | BBB+ | 550   | 679,188          |
| <hr/>   |       |          |      |       |                  |
| Dynegy-Roseton Danskamme,<br>Gtd Pass Thru Ctf Ser B          | 7.670 | 11-08-16 | B    | 500   | 517,500          |
| <hr/>   |       |          |      |       |                  |
| Salton Sea Funding Corp.,<br>Sec Note Ser C                   | 7.840 | 05-30-10 | BBB  | 1,204 | 1,228,228        |
| <b>Office Services &amp; Supplies 0.41%</b>                   |       |          |      |       | <b>687,271</b>   |
| <hr/>   |       |          |      |       |                  |
| Xerox Corp.,<br>Sr Note                                       | 6.750 | 02-01-17 | BB+  | 670   | 687,271          |
| <b>Oil &amp; Gas Drilling 0.17%</b>                           |       |          |      |       | <b>282,495</b>   |
| <hr/>   |       |          |      |       |                  |
| Delek & Avner-Yam Tethys Ltd.,<br>Sr Sec Note (Israel) (F)(S) | 5.326 | 08-01-13 | BBB  | 291   | 282,495          |

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

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

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

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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

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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

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

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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

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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.,<br>Gtd Sr Note                          | 8.000 | 11-15-16 | B+ | 170 | 171,700          |
| <b>Real Estate Management &amp; Development 1.61%</b> |       |          |    |     | <b>2,722,024</b> |

|   |       |          |     |     |         |
|---|-------|----------|-----|-----|---------|
| Healthcare Realty Trust, Inc.,<br>Sr Note | 8.125 | 05-01-11 | BBB | 175 | 188,284 |
|---|-------|----------|-----|-----|---------|

|                                    |       |          |     |     |         |
|------------------------------------|-------|----------|-----|-----|---------|
| Health Care REIT, Inc.,<br>Sr Note | 6.200 | 06-01-16 | BBB | 505 | 500,309 |
|------------------------------------|-------|----------|-----|-----|---------|

|                                  |       |          |     |     |         |
|----------------------------------|-------|----------|-----|-----|---------|
| Post Apartment Homes,<br>Sr Note | 5.125 | 10-12-11 | BBB | 870 | 844,518 |
|----------------------------------|-------|----------|-----|-----|---------|

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

| Issuer, description | Interest rate | Maturity date | Credit rating (A) | Par value (000) | Value |
|---------------------|---------------|---------------|-------------------|-----------------|-------|
|---------------------|---------------|---------------|-------------------|-----------------|-------|

**Real Estate Management & Development (continued)**

|  |        |          |     |       |           |
|--|--------|----------|-----|-------|-----------|
| Shimao Property Holding Ltd.,<br>Gtd Sr Note (Cayman Islands) (F)(S) | 8.000% | 12-01-16 | BB+ | \$940 | \$942,350 |
|--|--------|----------|-----|-------|-----------|

|  |       |          |     |     |         |
|--|-------|----------|-----|-----|---------|
| Ventas Realty LP/Capital Corp.,<br>Sr Note | 6.625 | 10-15-14 | BB+ | 250 | 246,563 |
|--|-------|----------|-----|-----|---------|

**Regional Banks 1.60%**

|  |       |          |   |       |           |
|--|-------|----------|---|-------|-----------|
| NB Capital Trust IV,<br>Gtd Cap Security | 8.250 | 04-15-27 | A | 1,170 | 1,217,153 |
|--|-------|----------|---|-------|-----------|

|   |       |          |     |     |         |
|---|-------|----------|-----|-----|---------|
| Sovereign Capital Trust VI,<br>Gtd Note | 7.908 | 06-13-36 | BB+ | 480 | 512,919 |
|---|-------|----------|-----|-----|---------|

|   |       |          |   |       |         |
|---|-------|----------|---|-------|---------|
| Suntrust Capital VIII,<br>Gtd Bond (6.100% to 12-15-36 then variable) | 6.100 | 12-01-66 | A | 1,065 | 975,280 |
|---|-------|----------|---|-------|---------|

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

**Thrifths & Mortgage Finance (continued)**

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 |
|---------------|-------|----------|----|-------|-----------|

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 |
|--------------|-------|----------|-----|-----|---------|

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 |
|-----------|-------|----------|----|-------|-----------|

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 |
|-------------|-------|----------|---|-----|---------|

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 |
|-----------|-------|----------|-----|-----|---------|

Citigroup/Deutsche Bank

Commercial Mortgage Group,

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|   |       |          |    |     |         |
|---|-------|----------|----|-----|---------|
| Mtg Pass Thru Ctf Ser 2005-CD1<br>Class C (P) | 5.400 | 07-15-44 | AA | 295 | 281,912 |
|---|-------|----------|----|-----|---------|

|   |       |          |     |    |        |
|---|-------|----------|-----|----|--------|
| ContiMortgage Home Equity<br>Loan Trust,<br>Mtg Pass Thru Ctf Ser 1995-2<br>Class A-5 | 8.100 | 08-15-25 | AAA | 90 | 89,799 |
|---|-------|----------|-----|----|--------|

|   |       |          |     |        |           |
|---|-------|----------|-----|--------|-----------|
| Countrywide Alternative Loan Trust,<br>Interest Only Ser 2005-59<br>Class 2X IO (P) | 1.988 | 11-20-35 | AAA | 8,765  | 316,346   |
| Interest Only Ser 2006-0A10<br>Class XPP IO (P)                                     | 1.943 | 08-25-46 | AAA | 4,446  | 191,727   |
| Interest Only Ser 2006-0A12<br>Class X IO (P)                                       | 2.614 | 09-20-46 | AAA | 20,622 | 992,417   |
| Mtg Pass Thru Ctf Ser 2006-0A8<br>Class X IO (P)                                    | 1.953 | 07-25-46 | AAA | 11,151 | 496,572   |
| Mtg Pass Thru Ctf Ser 2006-0A8<br>Class X IO  | 2.000 | 06-25-47 | AAA | 7,780  | 359,825   |
| Mtg Pass Thru Ctf Ser 2006-11CB<br>Class 3A1  | 6.500 | 05-25-36 | Aaa | 3,496  | 3,501,340 |

|  |       |          |     |       |           |
|--|-------|----------|-----|-------|-----------|
| Crown Castle Towers LLC,<br>Mtg Pass Thru Ctf Ser 2006-1A<br>Class G | 6.795 | 11-15-36 | Ba2 | 3,000 | 2,956,037 |
|--|-------|----------|-----|-------|-----------|

|  |       |          |    |     |         |
|--|-------|----------|----|-----|---------|
| DB Master Finance LLC,<br>Sub Bond Ser 2006-1 Class M1 (S) | 8.285 | 06-20-31 | BB | 340 | 343,392 |
|--|-------|----------|----|-----|---------|

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

| Issuer, description   | Interest rate | Maturity date | Credit rating (A) | Par value (000) | Value     |
|---|---------------|---------------|-------------------|-----------------|-----------|
| <b>Thriffs &amp; Mortgage Finance (continued)</b>                                 |               |               |                   |                 |           |
| Domino's Pizza Master Issuer LLC,<br>Mtg Pass Thru Ctf Ser 2007-1<br>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<br>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<br>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<br>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   |
| Residential Accredited Loans, Inc.,<br>Mtg Pass Thru Ctf Ser 2005-QA12 |       |          |      |       |           |
| Class NB5 (P)  | 5.973 | 12-25-35 | AAA  | 3,435 | 3,432,393 |
| 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   |

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

| Issuer, description  | Interest rate | Maturity date | Credit rating (A) | Par value (000) | Value            |
|--|---------------|---------------|-------------------|-----------------|------------------|
| <b>Thriffs &amp; Mortgage Finance (continued)</b>                            |               |               |                   |                 |                  |
| 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          |
| Washington Mutual Alternative<br>Loan Trust,<br>Mtg Pass Thru Ctf Ser 2005-6 |               |               |                   |                 |                  |
| Class 1CB  | 6.500         | 08-25-35      | AAA               | 528             | 528,567          |
| Washington Mutual, Inc.,<br>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<br>Class XPPP IO                              | 0.813         | 04-25-47      | Aaa               | 20,670          | 423,735          |
| Mtg Pass Thru Ctf Ser 2007-0A5<br>Class 1XPP IO                              | 0.626         | 06-25-47      | Aaa               | 48,960          | 734,393          |
| Mtg Pass Thru Ctf Ser 2007-0A6<br>Class 1XPP IO                              | 0.485         | 07-25-47      | Aaa               | 28,190          | 377,746          |
| Mtg Pass Thru Ctf Ser 2007-1<br>Class B1                                     | 6.205         | 02-25-37      | AA                | 578             | 570,725          |
| <b>Tobacco 0.76%</b>   |               |               |                   |                 | <b>1,283,395</b> |

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

See notes to financial statements

Income Securities Trust



## FINANCIAL STATEMENTS

| Issuer, description   |               | Credit rating (A) | Shares            | Value                |           |
|---|---------------|-------------------|-------------------|----------------------|-----------|
| <b>Integrated Telecommunication Services 0.58%</b>                            |               |                   |                   | <b>\$980,000</b>     |           |
| Telephone & Data Systems, Inc., 7.60%, Ser A                                  |               | BB+               | 40,000            | 980,000              |           |
| <b>Multi-Utilities 0.60%</b>  |               |                   |                   | <b>1,012,400</b>     |           |
| Dominion CNG Capital Trust I, 7.80%   |               | BB+               | 40,000            | 1,012,400            |           |
| <b>Real Estate Management &amp; Development 1.38%</b>                         |               |                   |                   | <b>2,323,200</b>     |           |
| 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                |           |
| <b>Tranche loans 0.12%</b><br>(Cost \$199,497)                                |               |                   |                   | <b>\$199,746</b>     |           |
| <b>Education Services 0.12%</b>   |               |                   |                   | <b>199,746</b>       |           |
| Riverdeep Interactive Learning Ltd.,<br>Tranche B, 11-28-13                   |               | B                 | \$199             | 199,746              |           |
| Issuer, description   | Interest rate | Maturity date     | Credit rating (A) | Par value (000)      | Value     |
| <b>U.S. government and agencies securities 65.73%</b><br>(Cost \$112,631,823) |               |                   |                   | <b>\$110,937,011</b> |           |
| <b>Government U.S. 0.96%</b>  |               |                   |                   | <b>1,612,131</b>     |           |
| United States Treasury,<br>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   |
| <b>Government U.S. Agency 64.77%</b>  |               |                   |                   | <b>109,324,880</b>   |           |
| 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   |

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

| Issuer, description                       | Interest rate | Maturity date | Credit rating (A) | Par value (000) | Value       |
|---|---------------|---------------|-------------------|-----------------|-------------|
| <b>Government U.S. Agency (continued)</b> |               |               |                   |                 |             |
| Federal National Mortgage Assn.,          |               |               |                   |                 |             |
| 30 Yr Pass Thru Ctf (N)                   | 6.000%        | 07-15-34      | AAA               | \$3,170         | \$3,135,327 |
| 30 Yr Pass Thru Ctf                       | 6.000         | 05-01-35      | AAA               | 3,318           | 3,282,390   |
| 30 Yr Pass Thru Ctf                       | 6.000         | 08-01-35      | AAA               | 2,147           | 2,127,642   |
| 30 Yr Pass Thru Ctf                       | 6.000         | 04-01-36      | AAA               | 1,792           | 1,773,974   |
| 30 Yr Pass Thru Ctf                       | 6.000         | 08-01-36      | AAA               | 3,631           | 3,594,312   |
| 30 Yr Pass Thru Ctf (N)                   | 6.000         | 09-01-36      | AAA               | 16,559          | 16,391,222  |
| 30 Yr Pass Thru Ctf                       | 6.000         | 11-01-36      | AAA               | 2,333           | 2,309,779   |
| 30 Yr Pass Thru Ctf                       | 6.000         | 01-01-37      | AAA               | 673             | 666,000     |

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|                         |       |          |     |       |           |
|-------------------------|-------|----------|-----|-------|-----------|
| 30 Yr Pass Thru Ctf     | 6.000 | 05-01-37 | AAA | 4,235 | 4,190,100 |
| 30 Yr Pass Thru Ctf     | 5.500 | 04-01-35 | AAA | 1,983 | 1,919,666 |
| 30 Yr Pass Thru Ctf     | 5.500 | 11-01-35 | AAA | 1,808 | 1,747,985 |
| 30 Yr Pass Thru Ctf     | 5.500 | 01-01-36 | AAA | 2,336 | 2,258,948 |
| 30 Yr Pass Thru Ctf     | 5.500 | 02-01-36 | AAA | 4,454 | 4,306,424 |
| 30 Yr Pass Thru Ctf     | 5.500 | 03-01-37 | AAA | 8,860 | 8,545,186 |
| 30 Yr Pass Thru Ctf     | 5.500 | 05-01-37 | AAA | 4,594 | 4,430,918 |
| 30 Yr Pass Thru Ctf (M) | 5.500 | 06-01-37 | AAA | 5,289 | 5,101,620 |
| CMO REMIC 2006-67-PD    | 5.500 | 12-25-34 | AAA | 1,230 | 1,187,608 |
| Note                    | 6.000 | 05-30-25 | AAA | 1,720 | 1,666,178 |

|                                     |        |          |     |    |        |
|-------------------------------------|--------|----------|-----|----|--------|
| Government National Mortgage Assn., |        |          |     |    |        |
| 30 Yr Pass Thru Ctf                 | 10.000 | 11-15-20 | AAA | 4  | 4,837  |
| 30 Yr Pass Thru Ctf                 | 9.500  | 01-15-21 | AAA | 4  | 4,624  |
| 30 Yr Pass Thru Ctf                 | 9.500  | 02-15-25 | AAA | 13 | 13,803 |

| Issuer, description  | Interest rate | Maturity date | Par value (000) | Value               |
|--|---------------|---------------|-----------------|---------------------|
| <b>Short-term investments 7.88%</b>  |               |               |                 | <b>\$13,304,490</b> |
| (Cost \$13,303,863)  |               |               |                 |                     |
| <b>Government U.S. Agency 2.78%</b>  |               |               |                 | <b>4,700,000</b>    |
| Federal Home Loan Bank,  |               |               |                 |                     |
| Disc Note  | 4.94% (Y)     | 07-02-07      | \$4,700         | 4,700,000           |
| <b>Joint Repurchase Agreement 0.03%</b>  |               |               |                 | <b>54,000</b>       |
| Joint Repurchase Agreement with Cantor Fitzgerald LP dated 6-29-07 at 4.40% to be repurchased at \$54,020 on 7-2-07, collateralized by \$42,353 of U.S. Treasury Inflation Indexed Note, 3.875%, due 1-15-09 (Valued at \$55,080 including interest) |               |               |                 |                     |
|  |               |               | 54              | 54,000              |

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

| Issuer                        | Shares | Value              |
|-------------------------------|--------|--------------------|
| <b>Cash Equivalents 5.07%</b> |        | <b>\$8,550,490</b> |

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|   |           |                       |
|---|-----------|-----------------------|
| John Hancock Cash Investment Trust (T)(W)                         | 8,550,490 | 8,550,490             |
| <b>Total investments (Cost \$272,594,535) 159.93%</b>             |           | <b>\$269,924,775</b>  |
| <b>Other assets and liabilities, net (7.18%)</b>                  |           | <b>(\$12,114,903)</b> |
| <b>Fund preferred shares, at liquidation value (52.75%)</b>       |           | <b>(\$89,031,784)</b> |
| <b>Total net assets applicable to common shareholders 100.00%</b> |           | <b>\$168,778,088</b>  |

The percentage shown for each investment category is the total value of that category as a percentage of the net assets applicable to common shareholders.

IO Interest only (carries notional principal)

REIT Real Estate Investment Trust

(A) Credit ratings are unaudited and are rated by Moody's Investors Service where Standard & Poor's ratings are not available unless indicated otherwise.

(F) Parenthetical disclosure of a foreign country in the security description represents country of a foreign issuer; however, the security is U.S. dollar-denominated.

(G) Security rated internally by John Hancock Advisers, LLC.

(L) All or a portion of this security is on loan as of June 30, 2007.

(M) This security having an aggregate value of \$61,200, or 0.04% of the net assets applicable to common shareholders, has been purchased as a forward commitment that is, the Fund has agreed on trade date to take delivery of and to make payment for this security on a delayed basis subsequent to the date of this schedule. The purchase price and interest rate of this security are fixed at trade date, although the Fund does not earn any interest on these until settlement date. The Fund has segregated assets with a current value at least equal to the amount of the forward commitment. Accordingly, the market value of \$81,989 of Federal National Mortgage Assn., 5.500%, 6-1-37 has been segregated to cover the forward commitment.

(N) These securities having an aggregate value of \$6,183,638 or 3.66% of the net assets applicable to common shareholders, has been purchased on a when-issued basis. The purchase price and the interest rate of such securities are fixed at trade date, although the Fund does not earn any interest on such securities until settlement date. The Fund has instructed its custodian bank to segregate assets with a current value at least equal to the amount of its when-issued commitments. Accordingly, the market value of \$6,340,053 of Federal National Mortgage Assn., 6.000%, 9-1-36 has been segregated to cover the when-issued commitments.

(P) Represents rate in effect on June 30, 2007.

(S) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers, in transactions exempt from registration. Rule 144A securities amounted to \$37,509,045 or 22.22% of the net assets applicable to common shareholders as of June 30, 2007.

(T) Represents investment of securities lending collateral.

(W) Issuer is an affiliate of John Hancock Advisers, LLC.

(Y) Represents current yield on June 30, 2007.

See notes to financial statements

Income Securities Trust

# Financial statements

## FINANCIAL STATEMENTS

### Statement of assets and liabilities 6-30-07 (unaudited)

**This Statement of Assets and Liabilities is the Fund's balance sheet. It shows the value of what the Fund owns, is due and owes. You will also find the net asset value for each common share.**

#### Assets

|   |                    |
|---|--------------------|
| Investments in unaffiliated issuers, at value (cost \$264,044,045)<br>including \$8,607,915 of securities loaned (Note 1) | \$261,374,285      |
| Investments in affiliated issuers, at value (cost \$8,550,490)  | 8,550,490          |
| <b>Total investments at value (cost \$272,594,535)</b>  | <b>269,924,775</b> |
| Cash  | 1,411,506          |
| Cash segregated at broker for future contracts (Note 1)   | 130,900            |
| Receivable for investments sold   | 8,127              |
| Receivable for shares sold  | 221,939            |
| Dividends and interest receivable   | 2,538,386          |
| Other assets  | 19,533             |
| <b>Total assets</b>   | <b>274,255,166</b> |

#### Liabilities

|   |           |
|---|-----------|
| Payable for investments purchased                 | 7,363,044 |
| Payable upon return of securities loaned (Note 1) | 8,550,490 |
| Dividends payable                                 | 11,512    |
| Payable for futures variation margin              | 93,500    |
| Payable to affiliates                             |           |
| Management fees                                   | 343,786   |
| Other   | 7,345     |
| Other payables and accrued expenses               | 75,617    |

**Total liabilities** **16,445,294**

|   |                   |
|---|-------------------|
| Auction Preferred Shares (APS) Series A, including accrued dividends,<br>unlimited number of shares of beneficial interest authorized with no par<br>value, 1,780 shares issued, liquidation preference of \$25,000 per share | <b>44,515,892</b> |
| APS Series B, including accrued dividends, unlimited number of shares of<br>beneficial interest authorized with no par value, 1,780 shares issued,<br>liquidation preference of \$25,000 per share                            | <b>44,515,892</b> |

#### Net assets

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|  |                      |
|--|----------------------|
| Common shares capital paid-in  | 179,297,727          |
| Accumulated net realized loss on investments and financial futures contracts | (8,184,545)          |
| Net unrealized depreciation of investments and financial futures contracts   | (2,292,687)          |
| Distributions in excess of net investment income                             | (42,407)             |
| <b>Net assets applicable to common shares</b>                                | <b>\$168,778,088</b> |

### Net asset value per common share

---

|   |         |
|---|---------|
| Based on 11,312,428 shares of beneficial interest outstanding    unlimited<br>number of shares authorized with no par value | \$14.92 |
|---|---------|

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Income Securities Trust

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## FINANCIAL STATEMENTS

### Statement of operations For the period ended 6-30-07 (unaudited)<sup>1</sup>

**This Statement of Operations summarizes the Fund's investment income earned and expenses incurred in operating the Fund. It also shows net gains (losses) and distributions paid to APS shareholders for the period stated.**

#### Investment income

|                                |                  |
|--------------------------------|------------------|
| Interest                       | \$8,017,791      |
| Dividends                      | 289,313          |
| Securities lending             | 19,069           |
| <b>Total investment income</b> | <b>8,326,173</b> |

#### Expenses

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|   |         |
|---|---------|
| Investment management fees (Note 2)         | 688,932 |
| Accounting and legal services fees (Note 2) | 17,505  |
| Compliance fees                             | 1,363   |
| APS auction fees                            | 117,324 |
| Transfer agent fees                         | 44,504  |
| Custodian fees                              | 40,926  |
| Printing fees                               | 32,142  |
| Professional fees                           | 16,893  |
| Registration and filing fees                | 11,906  |
| Trustees' fees                              | 5,168   |
| Interest                                    | 2,058   |
| Securities lending fees                     | 465     |
| Miscellaneous                               | 9,642   |

|  |                    |
|--|--------------------|
| <b>Total expenses</b>  | <b>988,828</b>     |
| <b>Net investment income</b>                                   | <b>7,337,345</b>   |
| <b>Realized and unrealized gain (loss)</b>                     |                    |
| <hr/>  |                    |
| <b>Net realized gain (loss) on</b>                             |                    |
| Investments  | (90,564)           |
| Financial futures contracts                                    | 167,136            |
| <b>Change in net unrealized appreciation (depreciation) of</b> |                    |
| Investments  | (3,506,738)        |
| Financial futures contracts                                    | 131,919            |
| <b>Net realized and unrealized loss</b>                        | <b>(3,298,247)</b> |
| Distributions to APS Series A                                  | (1,129,614)        |
| Distributions to APS Series B                                  | (1,128,436)        |
| <b>Increase in net assets from operations</b>                  | <b>\$1,781,048</b> |

<sup>1</sup> Semiannual period from 1-1-07 to 6-30-07.

See notes to financial statements

Income Securities Trust

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## FINANCIAL STATEMENTS

### Statement of changes in net assets

These Statements of Changes in Net Assets show how the value of the Fund's net assets has changed during the last two periods. The difference reflects earnings less expenses, any investment gains and losses, distributions, if any, paid to shareholders and the net of Fund share transactions.

|   | <b>Year<br/>ended<br/>12-31-06</b> | <b>Period<br/>ended<br/>6-30-07<sup>1</sup></b> |
|---|------------------------------------|---|
| <hr/>   |                                    |   |
| <b>Increase (decrease) in net assets</b>                |                                    |   |
| <b>From operations</b>                                  |                                    |   |
| Net investment income                                   | \$14,120,827                       | \$7,337,345                                     |
| Net realized gain (loss)                                | (2,401,780)                        | 76,572  |
| Change in net unrealized appreciation (depreciation)    | 2,048,384                          | (3,374,819)                                     |
| Distributions to APS                                    | (4,255,519)                        | (2,258,050)                                     |
| <b>Increase in net assets resulting from operations</b> | <b>9,511,912</b>                   | <b>1,781,048</b>                                |

**Distributions to common shareholders**

From net investment income (10,412,003) (5,108,480)

**From Fund share transactions 932,358 436,876**

**Total increase (decrease) 32,267 (2,890,556)**

**Net assets**

Beginning of period 171,636,377 171,668,644

**End of period<sup>2</sup> \$171,668,644 \$168,778,088**

<sup>1</sup> Semiannual period from 1-1-07 to 6-30-07. Unaudited.

<sup>2</sup> Includes distributions in excess of net investment income of \$13,222 and \$42,407, respectively.

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

Financial highlights

The Financial Highlights show how the Fund's net asset value for a share has changed since the end of the previous period.

**COMMON SHARES**

**Period ended 12-31-02<sup>1</sup> 12-31-03 12-31-04 12-31-05 12-31-06 6-30-07<sup>2</sup>**

**Per share operating performance**

**Net asset value,**

**beginning of period \$16.06 \$16.31 \$16.53 \$16.19 \$15.30 \$15.22**

Net investment income<sup>3</sup> 0.89 0.93 1.22 1.20 1.26 0.65

Net realized and unrealized gain (loss) on investments 0.28 0.63 (0.25) (0.81) (0.03) (0.30)

Distributions to APS Series A and B<sup>4</sup> (0.02) (0.12) (0.25) (0.38) (0.20)

**Total from investment operations 1.17 1.54 0.85 0.14 0.85 0.15**

**Less distributions to common shareholders**

From net investment income (0.92) (0.96) (1.19) (1.03) (0.93) (0.45)

From net realized gain (0.26)  
**(0.92) (1.22) (1.19) (1.03) (0.93) (0.45)**

**Capital charges**

Offering costs and underwriting



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|  |                         |                |                |                |                |                           |
|--|-------------------------|----------------|----------------|----------------|----------------|---------------------------|
| discount related to APS                                |                         | (0.10)         |                |                |                |                           |
| <b>Net asset value, end of period</b>                  | <b>\$16.31</b>          | <b>\$16.53</b> | <b>\$16.19</b> | <b>\$15.30</b> | <b>\$15.22</b> | <b>14.92</b>              |
| <b>Per share market value, end of period</b>           | <b>\$14.66</b>          | <b>\$15.39</b> | <b>\$15.68</b> | <b>\$13.68</b> | <b>\$14.75</b> | <b>\$14.09</b>            |
| <b>Total return at net asset value<sup>5</sup> (%)</b> | <b>8.00<sup>6</sup></b> | <b>9.57</b>    | <b>5.70</b>    | <b>1.36</b>    | <b>6.24</b>    | <b>1.14<sup>7</sup></b>   |
| <b>Total return at market value<sup>5</sup> (%)</b>    | <b>6.42</b>             | <b>13.49</b>   | <b>9.95</b>    | <b>(6.42)</b>  | <b>15.15</b>   | <b>(1.45)<sup>7</sup></b> |

**Ratios and supplemental data**

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|   |       |                    |                    |                    |                    |                      |
|---|-------|--------------------|--------------------|--------------------|--------------------|----------------------|
| Net assets applicable to common shares, end of period (in millions) | \$179 | \$183              | \$180              | \$172              | \$172              | \$169                |
| Ratio of expenses to average net assets (%)                         | 0.84  | 0.87 <sup>8</sup>  | 1.14 <sup>8</sup>  | 1.16 <sup>8</sup>  | 1.17 <sup>8</sup>  | 1.16 <sup>8,9</sup>  |
| Ratio of net investment income to average net assets (%)            | 5.56  | 5.58 <sup>10</sup> | 7.44 <sup>10</sup> | 7.62 <sup>10</sup> | 8.30 <sup>10</sup> | 8.58 <sup>9,10</sup> |
| Portfolio turnover (%)  | 371   | 273                | 135                | 148                | 94                 | 34 <sup>7,11</sup>   |

**Senior securities**

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|   |  |          |          |          |          |          |
|---|--|----------|----------|----------|----------|----------|
| Total APS Series A outstanding (in millions)                            |  | \$45     | \$45     | \$45     | \$45     | \$45     |
| Total APS Series B outstanding (in millions)                            |  | \$45     | \$45     | \$45     | \$45     | \$45     |
| Involuntary liquidation preference APS Series A per unit (in thousands) |  | \$25     | \$25     | \$25     | \$25     | \$25     |
| Involuntary liquidation preference APS Series B per unit (in thousands) |  | \$25     | \$25     | \$25     | \$25     | \$25     |
| Average market value per unit (in thousands)                            |  | \$25     | \$25     | \$25     | \$25     | \$25     |
| Asset coverage per unit <sup>12</sup>                                   |  | \$75,402 | \$75,049 | \$72,470 | \$73,375 | \$72,719 |

See notes to financial statements

Income Securities Trust

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FINANCIAL STATEMENTS

**Notes to Financial Highlights**

1 Audited by previous auditor.

2 Semiannual period from 1-1-07 to 6-30-07. Unaudited.

<sup>3</sup> Based on the average of the shares outstanding.

4 APS Series A and B were issued on 11-4-03.

5 Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend and capital gain distributions, if any, were reinvested. These figures will differ

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depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.

6 Unaudited.

7 Not annualized.

8 Ratios calculated on the basis of expenses relative to the average net assets of common shares. Without the exclusion of preferred shares, the ratios of expenses would have been 0.81%, 0.76%, 0.77%, 0.77% and 0.76% for the periods ended 12-31-03, 12-31-04, 12-31-05, 12-31-06 and 6-30-07, respectively.

9 Annualized.

10 Ratios calculated on the basis of net investment income relative to the average net assets of common shares. Without the exclusion of preferred shares, the ratios of net investment income would have been 5.19%, 4.99%, 5.06%, 5.45% and 5.65% for the periods ended 12-31-03, 12-31-04, 12-31-05, 12-31-06 and 6-30-07, respectively.

11 The portfolio turnover rate including the effect of forward commitment trades is 50% for the six months ended June 30, 2007. Prior years exclude the effect of forward commitment trades.

12 Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing that amount by the number of APS outstanding, as of the applicable 1940 Act Evaluation Date, which may differ from the financial reporting date.

See notes to financial statements

Income Securities Trust

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## Notes to financial statements (unaudited)

### Note 1

#### Accounting policies

John Hancock Income Securities Trust (the Fund) is a closed-end diversified investment management company registered under the Investment Company Act of 1940, as amended (the 1940 Act).

#### Significant accounting policies of the Fund are as follows:

##### Security valuation

The net asset value of the common shares of the Fund is determined daily as of the close of the New York Stock Exchange (NYSE), normally at 4:00 p.m., Eastern Time. Short-term debt investments that have a remaining maturity of 60 days or less are valued at amortized cost, and thereafter assume a constant amortization to maturity of any discount or premium, which approximates market value. Investments in John Hancock Cash Investment Trust (JHCIT), an affiliate of John Hancock Advisers, LLC (the Adviser), a wholly owned subsidiary of John Hancock Financial Services, Inc., a subsidiary of Manulife Financial Corporation (MFC), are valued at their net asset value each business day. All other securities held by the Fund are valued at the last sale price or official closing price (closing bid price or last evaluated quote if no sale has occurred) as of the close of business on the principal securities exchange (domestic or foreign) on which they trade or, lacking any sales, at the closing bid price. Securities traded only in the over-the-counter market are valued at the last bid price quoted by brokers making markets in the securities at the close of trading. Securities for which there are no such quotations, principally debt securities, are valued based on the valuation provided by an independent pricing service, which utilizes both dealer-supplied and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data.

Other assets and securities for which no such quotations are readily available are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees. Generally, trading in non-U.S. securities is substantially completed each day at various times prior to the close of trading on the NYSE. The values of such securities used in computing the net asset value of the Fund's shares are generally determined as of such times. Occasionally, significant events that affect the

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values of such securities may occur between the times at which such values are generally determined and the close of the NYSE. Upon such an occurrence, these securities will be valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees.

### Joint repurchase agreement

Pursuant to an exemptive order issued by the Securities and Exchange Commission (SEC), the Fund, along with other registered investment companies having a management contract with the Adviser, may participate in a joint repurchase agreement transaction. Aggregate cash balances are invested in one or more large repurchase agreements, whose underlying securities are obligations of the U.S. government and/or its agencies. The Fund's custodian bank receives delivery of the underlying securities for the joint account on the Fund's behalf. The Adviser is responsible for ensuring that the agreement is fully collateralized at all times.

### Investment transactions

Investment transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Net realized gains and losses on sales of investments are determined on the identified cost basis. Some securities may be purchased on a when-issued or forward commitment basis, which means that the securities will be

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delivered to the Fund at a future date, usually beyond customary settlement date.

### Discount and premium on securities

The Fund utilizes the level yield method to accrete discount from par value on securities from either the date of issue or the date of purchase over the life of the security.

### Expenses

The majority of expenses are directly identifiable to an individual fund. Expenses that are not readily identifiable to a specific fund will be allocated in such a manner as deemed equitable, taking into consideration, among other things, the nature and type of expense and the relative sizes of the funds.

### Securities lending

The Fund may lend securities in amounts up to  $33\frac{1}{3}\%$  of the Fund's total assets. Such loans are callable at any time and are at all times fully secured by cash, cash equivalents or securities issued or guaranteed by the U.S. government or its agencies or instrumentalities and marked-to-market on a daily basis. The Fund may bear the risk of delay in recovery of, or even of rights in, the securities loaned should the borrower of the securities fail financially.

The Fund receives compensation for lending their securities either in the form of fees and/or by retaining a portion of interest on the investment of any cash received as collateral. The Fund invests the cash collateral received in connection with securities lending transactions in JHCIT, a Delaware common law trust and an affiliated fund. JHCIT is exempt from registration under Section 3(c)(7) of the 1940 Act (pursuant to exemptive order issued by the SEC) and is managed by the Adviser, for which the Adviser receives an investment advisory fee of 0.04% of the average daily net assets of the JHCIT.

All collateral received will be in an amount equal to at least 100% of the market value of the loaned securities and is intended to be maintained at that level during the period of the loan. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund the next business day. During the loan period, the Fund continues to retain rights of ownership, including dividends and interest of the loaned securities. As of June 30, 2007, the Fund loaned securities having a market value of \$8,607,915 collateralized by cash invested in securities in the amount of \$8,550,490.

### Financial futures contracts

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The Fund may buy and sell financial futures contracts. Buying futures tends to increase the Fund's exposure to the underlying instrument. Selling futures tends to decrease the Fund's exposure to the underlying instrument or hedge other Fund's instruments. Initial margin deposits required upon entering into futures contracts are satisfied by the segregation of specific securities or cash as collateral for the account of the broker (the Fund's agent in acquiring futures position). Each day, the futures contract is valued at the official settlement price of the board of trade or U.S. commodities exchange on which it trades. Subsequent payments to and from the broker, known as variation margin, are made on a daily basis as the market price of the financial futures contract fluctuates. Daily variation margin adjustments arising from this mark to market are recorded by the Fund as unrealized gains or losses.

When the contracts are closed, the Fund recognizes a gain or loss. Risks of entering into financial futures contracts include the possibility that there may be an illiquid market and/or that a change in the value of the contracts may not correlate with changes in the value of the underlying securities. In addition, the Fund could be prevented from opening or realizing the benefits of closing out financial futures positions because of position limits or limits on daily price fluctuation imposed by an exchange.

For federal income tax purposes, the amount, character and timing of the Fund's gains and/or losses can be affected as a result of financial futures contracts. On June 30, 2007, the Fund had deposited \$130,900 in a segregated account for the broker to cover margin requirements on open financial futures contracts.

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### The Fund had the following financial futures contracts open on June 30, 2007:

| OPEN CONTRACTS             | NUMBER OF CONTRACTS | POSITION | EXPIRATION | APPRECIATION |
|----------------------------|---------------------|----------|------------|--------------|
| U.S. 10-year Treasury Note | 187                 | Short    | Sep 2007   | \$377,073    |

### Federal income taxes

The Fund qualifies as a regulated investment company by complying with the applicable provisions of the Internal Revenue Code and will not be subject to federal income tax on taxable income that is distributed to shareholders. Therefore, no federal income tax provision is required. For federal income tax purposes, the Fund has \$7,909,723 of a capital loss carryforward available, to the extent provided by regulations, to offset future net realized capital gains. To the extent that such carryforward is used by the Fund, no capital gain distributions will be made. The loss carryforward expires as follows: December 31, 2012 \$2,123,466, December 31, 2013 \$2,443,482 and December 31, 2014 \$3,342,775.

### New accounting pronouncements

In June 2006, Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (the Interpretation), was issued and is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the effective date. This Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return, and requires certain expanded disclosures. Management has evaluated the application of this Interpretation to the Fund and does not believe there is a material impact resulting from the adoption of this Interpretation on the Fund's financial statements.

In September 2006, FASB Standard No. 157, *Fair Value Measurements* (FAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishing a framework for measuring fair value and expands disclosure about fair value measurements. Management is currently evaluating the application of FAS 157 to the Fund and its impact, if any, resulting from the adoption of FAS 157 on the Fund's financial statements.

### Dividends, interest and distributions

Dividend income on investment securities is recorded on the ex-dividend date or, in the case of some foreign securities, on the date thereafter when the Fund identifies the dividend. Interest income on investment securities is recorded on the accrual basis. The Fund may place a security on non-accrual status and reduce related investment income by ceasing current accruals or writing off interest receivable when the collection of

income has become doubtful. Foreign income may be subject to foreign withholding taxes, which are accrued as applicable.

The Fund records distributions to shareholders from net investment income and net realized gains, if any, on the ex-dividend date. During the year ended December 31, 2006, the tax character of distributions paid was as follows: ordinary income \$14,667,522.

Such distributions, on a tax basis, are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. Distributions in excess of tax basis earnings and profits, if any, are reported in the Fund's financial statements as a return of capital.

#### **Use of estimates**

The preparation of these financial statements, in accordance with accounting principles generally accepted in the United States of America, incorporates estimates made by management in determining the reported amount of assets, liabilities, revenues and expenses of the Fund. Actual results could differ from these estimates.

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#### **Note 2**

##### **Management fee and transactions with affiliates and others**

The Fund has an investment management contract with the Adviser. Under the investment management contract, the Fund pays a quarterly management fee to the Adviser, equivalent on an annual basis, to the sum of (a) 0.650% of the first \$150,000,000 of the Fund's average weekly net asset value and the value attributable to the Auction Preferred Shares (collectively, managed assets), (b) 0.375% of the next \$50,000,000, (c) 0.350% of the next \$100,000,000 and (d) 0.300% of the Fund's average daily managed assets in excess of \$300,000,000.

The Fund has an agreement with the Adviser and affiliates to perform necessary tax, accounting and legal services for the Fund. The compensation for the period amounted to \$17,505. The Fund also reimbursed John Hancock Life Insurance Company (JHLICO), a subsidiary of MFC, for certain compliance costs, included in the Fund's Statement of Operations.

Mr. James R. Boyle is Chairman of the Adviser, as well as affiliated Trustee of the Fund, and is compensated by the Adviser and/or its affiliates. The compensation of unaffiliated Trustees is borne by the Fund. The unaffiliated Trustees may elect to defer, for tax purposes, their receipt of this compensation under the John Hancock Group of Funds Deferred Compensation Plan. The Fund makes investments into other John Hancock funds, as applicable, to cover its liability for the deferred compensation. Investments to cover the Fund's deferred compensation liability are recorded on the Fund's books as an other asset. The deferred compensation liability and the related other asset are always equal and are marked to market on a periodic basis to reflect any income earned by the investments, as well as any unrealized gains or losses. The Deferred Compensation Plan investments had no impact on the operations of the Fund.

The Fund is listed for trading on the NYSE and has filed with the NYSE its chief executive officer certification regarding compliance with the NYSE's listing standards. The Fund also files with the SEC the certification of its chief executive officer and chief financial officer required by Section 302 of the Sarbanes-Oxley Act.

#### **Note 3**

##### **Guarantees and indemnifications**

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liability arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund believes the risk of loss to be remote.

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**Note 4****Fund share transactions**

This listing illustrates the reclassification of the Fund's capital accounts, dividend reinvestments and the number of common shares outstanding during the year ended December 31, 2006, and the period ended June 30, 2007, along with the corresponding dollar value.

|                                      | Year ended 12-31-06 |                      | Period ended 6-30-07 <sup>1</sup> |                      |
|--------------------------------------|---------------------|----------------------|-----------------------------------|----------------------|
|                                      | Shares              | Amount               | Shares                            | Amount               |
| Beginning of period                  | 11,215,223          | \$177,367,356        | 11,282,039                        | \$178,860,851        |
| Distributions reinvested             | 66,816              | 932,358              | 30,389                            | 436,876              |
| Reclassification of capital accounts |                     | 561,137              |                                   |                      |
| <b>End of period</b>                 | <b>11,282,039</b>   | <b>\$178,860,851</b> | <b>11,312,428</b>                 | <b>\$179,297,727</b> |

<sup>1</sup>Semiannual period from 1-1-07 to 6-30-07. Unaudited.

**Auction preferred shares**

The Fund issued a total of 3,560 Auction Preferred Shares: 1,780 shares of Series A Auction Preferred Shares and 1,780 shares of Series B Auction Preferred Shares (collectively, the Preferred Shares or APS) on November 4, 2003, in a public offering. The total offering costs of \$188,388 and the total underwriting discount of \$890,000 has been charged to capital paid-in of common shares during the years ended December 31, 2003 and December 31, 2004.

Dividends on the APS, which accrue daily, are cumulative at a rate that was established at the offering of the APS and has been reset every seven days thereafter by an auction. Dividend rates on APS Series A ranged from 5.00% to 5.30% and Series B from 4.94% to 5.31% during the period ended June 30, 2007. Accrued dividends on APS are included in the value of APS on the Fund's Statement of Assets and Liabilities.

The APS are redeemable at the option of the Fund, at a redemption price equal to \$25,000 per share, plus accumulated and unpaid dividends on any dividend payment date. The APS are also subject to mandatory redemption at a redemption price equal to \$25,000 per share, plus accumulated and unpaid dividends, if the Fund is in default on its asset coverage requirements with respect to the APS as defined in the Fund's bylaws. Under the 1940 Act, the Fund is required to maintain asset coverage of at least 200% with respect to the Preferred Shares as of the last business day of each month in which any shares are outstanding. If the dividends on the APS shall remain unpaid in an amount equal to two full years' dividends, the holders of the APS, as a class, have the right to elect a majority of the Board of Trustees. In general, the holders of the APS and the common shareholders have equal voting rights of one vote per share, except that the holders of the APS, as a class, vote to elect two members of the Board of Trustees, and separate class votes are required on certain matters that affect the respective interests of the APS and common shareholders.

**Leverage**

The Fund issued preferred shares to increase its assets available for investment. The Fund generally will not issue preferred shares unless the Adviser expects that the Fund will achieve a greater return on the proceeds resulting from the use of leverage than the additional costs the Fund incurs as a result of leverage. When the Fund leverages its assets, the fees paid to the Adviser for investment advisory and administrative services will be higher than if the Fund did not borrow because the Adviser's fees are calculated based on the Fund's total assets, including the proceeds of the issuance of preferred shares. Consequently, the Fund and the Adviser may have differing interests in determining whether to leverage the Fund's assets. The Board of Trustees will monitor this potential conflict. The Fund's use of leverage is premised upon the expectation that the

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Fund's dividends on its outstanding preferred shares will be lower than the return the Fund achieves on its investments with the proceeds of the issuance of preferred shares.

Leverage creates risks which may adversely affect the return for the holders of common shares, including:

the likelihood of greater volatility of net asset value and market price of common shares

fluctuations in the dividend rates on any preferred shares

increased operating costs, which may reduce the Fund's total return to the holders of common shares

the potential for a decline in the value of an investment acquired through leverage, while the Fund's obligations under such leverage remains fixed

To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage; the Fund's return will be greater than if leverage had not been used.

## Note 5

### Investment transactions

Purchases and proceeds from sales or maturities of securities, other than short-term securities and obligations of the U.S. government, during the period ended June 30, 2007, aggregated \$83,987,688 and \$78,016,609, respectively. Purchases and proceeds from sales or maturities of obligations of the U.S. government aggregated \$8,584,459 and \$12,026,065, respectively, during the period ended June 30, 2007.

The cost of investments owned on June 30, 2007, including short-term investments, for federal income tax purposes was \$273,126,155. Gross unrealized appreciation and depreciation of investments aggregated \$1,721,884 and \$4,923,264, respectively, resulting in net unrealized depreciation of \$3,201,380.

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### Investment objective and policy

The Fund is a closed-end diversified management investment company, common shares of which were initially offered to the public on February 14, 1973, and are publicly traded on the NYSE. The Fund's investment objective is to generate a high level of current income consistent with prudent investment risk. The Fund invests in a diversified portfolio of freely marketable debt securities and may invest an amount not exceeding 20% of its assets in income-producing preferred and common stock. Under normal circumstances, the Fund will invest at least 80% of net assets in income securities. Income securities will consist of the following: (i) marketable corporate debt securities, (ii) governmental obligations and (iii) cash and commercial paper. Net assets is defined as net assets plus borrowings for investment purposes. The Fund will notify shareholders at least 60 days prior to any change in this 80% investment policy.

It is contemplated that at least 75% of the value of the Fund's total assets will be represented by debt securities, which have at the time of purchase a rating within the four highest grades as determined by Moody's Investors Service, Inc. or Standard & Poor's Corporation. The Fund intends to engage in short-term trading and may invest in repurchase agreements. The Fund may issue a single class of senior securities not to exceed  $33\frac{1}{3}$  % of its net assets at market value and may borrow from banks as a temporary measure for emergency purposes in amounts not to exceed 5% of the total assets at cost. The Fund may lend portfolio securities not to exceed  $33\frac{1}{3}$  % of total assets.

### Bylaws

In November 2002, the Board of Trustees adopted several amendments to the Fund's bylaws, including provisions relating to the calling of a special meeting and requiring advance notice of shareholder proposals or nominees for Trustee. The advance notice provisions in the bylaws require shareholders to notify the Fund in writing of any proposal which they intend to present at an annual meeting of shareholders, including any nominations for Trustee, between 90 and 120 days prior to the first anniversary of the mailing date of the notice from the prior year's annual meeting of shareholders. The notification must be in the form prescribed by the bylaws. The advance notice provisions provide the Fund and its Trustees with the opportunity to thoughtfully consider and address the matters proposed before the Fund prepares and mails its proxy statement to shareholders. Other amendments set forth the procedures that must be followed in order for a shareholder to call a special meeting of shareholders. Please contact the Secretary of the Fund for additional information about the advance notice requirements or the other amendments to the bylaws.

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On August 21, 2003, shareholders approved the amendment of the Fund's bylaws effective August 26, 2003, to provide for the issuance of preferred shares. Effective March 9, 2004, the Trustees approved additional changes to conform with the Fund's maximum dividend rate on the preferred shares with the rate used by other John Hancock funds.

On September 14, 2004, the Trustees approved an amendment to the Fund's bylaws increasing the maximum applicable dividend rate ceiling on the preferred shares to conform with the modern calculation methodology used by the industry and other John Hancock funds.

### Financial futures contracts and options

The Fund may buy and sell financial futures contracts and options on futures contracts to hedge against the effects of fluctuations in interest rates and other market conditions. The Fund's ability to hedge successfully will depend on the Adviser's ability to predict accurately the future direction of interest rate changes and other market factors. There is no assurance that a liquid market for futures and options will always exist. In addition, the Fund could be prevented from opening, or realizing the benefits of closing out a futures or options position because of position limits or limits on daily price fluctuations imposed by an exchange.

Income Securities Trust

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The Fund will not engage in transactions in futures contracts and options on futures for speculation, but only for hedging or other permissible risk management purposes. All of the Fund's futures contracts and options on futures will be traded on a U.S. commodity exchange or board of trade. The Fund will not engage in a transaction in futures or options on futures if, immediately thereafter, the sum of initial margin deposits on existing positions and premiums paid for options on futures would exceed 5% of the Fund's total assets.

### Dividends and distributions

During the period ended June 30, 2007, dividends from net investment income totaling \$0.4525 per share were paid to shareholders. The dates of payments and the amounts per share are as follows:

| PAYMENT DATE   | INCOME<br>DIVIDEND |
|----------------|--------------------|
| March 30, 2007 | \$0.2225           |
| June 29, 2007  | 0.2300             |

### Dividend reinvestment plan

The Fund offers its common shareholders a Dividend Reinvestment Plan (the Plan), which offers the opportunity to earn compounded yields. Any holder of common shares of record of the Fund may elect to participate in the Plan and receive the Fund's common shares in lieu of all or a portion of the cash dividends. The Plan is available to all common shareholders without charge. Mellon Investor Services (the Plan Agent) will act as agent for participating shareholders.

Shareholders may join the Plan by notifying the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at [www.melloninvestor.com](http://www.melloninvestor.com) showing an election to reinvest all or a portion of dividend payments. If received in proper form by the Plan Agent prior to the record date for a dividend, the election will be effective with respect to all dividends paid after such record date. Shareholders whose shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

The Board of Trustees of the Fund will declare dividends from net investment income payable in cash or, in the case of shareholders participating in the Plan, partially or entirely in the Fund's common shares. The number of shares to be issued for the benefit of each shareholder will be determined by dividing the amount of the cash dividend, otherwise payable to such shareholder on shares included under the Plan, by the per share net asset value of the common shares on the date for payment of the dividend, unless the net asset value per share on the payment date is less than 95% of the market price per share on that date, in which event the number of shares to be issued to a shareholder will be determined by dividing the amount of the cash dividend payable to such shareholder, by 95% of the market price per share of the common shares on the payment date. The market price of the common shares on a particular date shall be the mean between the highest and lowest sales price on the



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NYSE on that date. Net asset value will be determined in accordance with the established procedures of the Fund. However, if as of such payment date the market price of the common shares is lower than such net asset value per share, the number of shares to be issued will be determined on the basis of such market price. Fractional shares, carried out to four decimal places, will be credited to the shareholder's account. Such fractional shares will be entitled to future dividends.

The shares issued to participating shareholders, including fractional shares, will be held by the Plan Agent in the name of the participant. A confirmation will be sent to each shareholder promptly, normally within five to seven days, after the payment date of the dividend. The confirmation will show the total number of shares held by such shareholder before and after the dividend, the amount of the most recent cash dividend that the shareholder has elected to reinvest and the number of shares acquired with such dividend.

Participation in the Plan may be terminated at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site, and such termination will

Income Securities Trust

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be effective immediately. However, notice of termination must be received prior to the record date of any distribution to be effective for that distribution. Upon termination, certificates will be issued representing the number of full shares of common shares held by the Plan Agent. A shareholder will receive a cash payment for any fractional share held.

The reinvestment of dividends will not relieve participants of any federal, state or local income tax, which may be due with respect to such dividend. Dividends reinvested in common shares will be treated on your federal income tax return as though you had received a dividend in cash in an amount equal to the fair market value of the shares received, as determined by the prices for common shares of the Fund on the NYSE as of the dividend payment date. Distributions from the Fund's long-term capital gains will be processed as noted above for those electing to reinvest in common shares and will be taxable to you as long-term capital gains. The confirmation referred to above will contain all the information you will require for determining the cost basis of shares acquired and should be retained for that purpose. At year end, each account will be supplied with detailed information necessary to determine total tax liability for the calendar year.

All correspondence or additional information concerning the Plan should be directed to the Plan Agent, Mellon Bank, N.A., c/o Mellon Investor Services, P.O. Box 3338, South Hackensack, New Jersey 07606-1938 (Telephone: 1-800-852-0218).

### Shareholder communication and assistance

If you have any questions concerning the Fund, we will be pleased to assist you. If you hold shares in your own name and not with a brokerage firm, please address all notices, correspondence, questions or other communications regarding the Fund to the transfer agent at:

Mellon Investor Services  
Newport Office Center VII  
480 Washington Boulevard  
Jersey City, NJ 07310  
Telephone: 1-800-852-0218

If your shares are held with a brokerage firm, you should contact that firm, bank or other nominee for assistance.

### Shareholder meeting (unaudited)

On March 27, 2007, the Annual Meeting of the Fund was held to elect eight Trustees.

Proxies covering 10,017,147 shares of beneficial interest were voted at the meeting. The common shareholders elected the following Trustees to serve until their respective successors are duly elected and qualified, with the votes tabulated as follows:

|     |           |
|-----|-----------|
|     | WITHHELD  |
| FOR | AUTHORITY |

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|                       |           |         |
|-----------------------|-----------|---------|
| James R. Boyle        | 9,871,674 | 145,473 |
| James F. Carlin       | 9,877,727 | 139,420 |
| William H. Cunningham | 9,870,137 | 147,010 |
| Ronald R. Dion        | 9,874,528 | 142,619 |
| Charles L. Ladner     | 9,880,350 | 136,797 |
| Steven R. Pruchansky  | 9,877,998 | 139,149 |

The preferred shareholders elected Patti McGill Peterson and John A. Moore as Trustees of the Fund until their successors are duly elected and qualified, with the votes tabulated as follows: 2,923 FOR and 5 WITHHELD.

Income Securities Trust

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### **Board Consideration of and Continuation of Investment Advisory Agreement and Subadvisory Agreement: John Hancock Income Securities Trust**

The Investment Company Act of 1940 (the 1940 Act) requires the Board of Trustees (the Board) of John Hancock Income Securities Trust (the Fund), including a majority of the Trustees who have no direct or indirect interest in the investment advisory agreement and are not interested persons of the Fund, as defined in the 1940 Act (the Independent Trustees), annually to meet in person to review and consider the continuation of: (i) the investment advisory agreement (the Advisory Agreement) with John Hancock Advisers, LLC (the Adviser) and (ii) the investment subadvisory agreement (the Subadvisory Agreement) with MFC Global Investment Management (U.S.), LLC (the Subadviser). The Advisory Agreement and the Subadvisory Agreement are collectively referred to as the Advisory Agreements.

At meetings held on May 7 and June 4-5, 2007, the Board considered the factors and reached the conclusions described below relating to the selection of the Adviser and Subadviser and the continuation of the Advisory Agreements. During such meetings, the Board's Contracts/Operations Committee and the Independent Trustees also met in executive sessions with their independent legal counsel.

In evaluating the Advisory Agreements, the Board, including the Contracts/Operations Committee and the Independent Trustees, reviewed a broad range of information requested for this purpose by the Independent Trustees, including: (i) the investment performance of the Fund relative to a category of relevant funds (the Category) and a peer group of comparable funds (the Peer Group) each selected by Morningstar, Inc. (Morningstar), an independent provider of investment company data, for a range of periods ended December 31, 2006, (ii) advisory and other fees incurred by, and the expense ratios of, the Fund relative to a Category and a Peer Group, (iii) the advisory fees of comparable portfolios of other clients of the Adviser and the Subadviser, (iv) the Adviser's financial results and condition, including its and certain of its affiliates' profitability from services performed for the Fund, (v) breakpoints in the Fund's and the Peer Group's fees, and information about economies of scale, (vi) the Adviser's and Subadviser's record of compliance with applicable laws and regulations, with the Fund's investment policies and restrictions, and with the applicable Code of Ethics, and the structure and responsibilities of the Adviser's and Subadviser's compliance department, (vii) the background and experience of senior management and investment professionals, and (viii) the nature, cost and character of advisory and non-investment management services provided by the Adviser and its affiliates and by the Subadviser.

The Independent Trustees considered the legal advice of independent legal counsel and relied on their own business judgment in determining the factors to be considered in evaluating the materials that were presented to them and the weight to be given to each such factor. The Board's review and conclusions were based on a comprehensive consideration of all information presented to the Board and not the result of any single controlling factor. They principally considered performance and other information from Morningstar as of December 31, 2006. The Board also considered updated performance information provided to it by the Adviser or Subadviser at the May and June 2007 meetings. Performance and other information may be quite different as of the date of this shareholders report. The key factors considered by the Board and the conclusions reached are described below.

#### **Nature, extent and quality of services**

The Board considered the ability of the Adviser and the Subadviser, based on their resources, reputation and other attributes, to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board considered the investment philosophy, research and investment decision-making processes of the Adviser and Subadviser. The Board further considered the culture of compliance, resources dedicated to compliance, compliance programs and compliance records of the Adviser and Subadviser. In addition, the Board took into account the

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administrative and other non-advisory services provided to the Fund by the Adviser and its affiliates.

Based on the above factors, together with those referenced below, the Board concluded that, within the context of its full deliberations, the nature, extent and quality of the investment advisory services provided to the Fund by the Adviser and Subadviser supported renewal of the Advisory Agreements.

#### **Fund performance**

The Board considered the performance results for the Fund over various time periods ended December 31, 2006. The Board also considered these results in comparison to the performance of the Category, as well as the Fund's Peer Group and benchmark index. Morningstar determined the Category and Peer Group for the Fund. The Board reviewed with a representative of Morningstar the methodology used by Morningstar to select the funds in the Category and the Peer Group. The Board noted the imperfect comparability of the Peer Group.

The Board noted that the Fund's performance was lower than the performance of the Category and Peer Group medians, but was higher than the performance of its benchmark index, the Lehman Brothers Government/ Credit Bond Index, over the 3-, 5- and 10- year periods. The Board noted that the Fund's more recent performance during the 1-year period was lower than, but generally competitive with, the performance of the Category median, and higher than the performance of the Peer Group median and benchmark index. The Adviser noted that the Fund's Peer Group contained primarily unleveraged closed-end funds, which had a high level of high-yield exposure. The Adviser explained that these factors impacted the Fund's comparative performance results.

#### **Investment advisory fee and subadvisory fee rates and expenses**

The Board reviewed and considered the contractual investment advisory fee rate payable by the Fund to the Adviser for investment advisory services (the Advisory Agreement Rate). The Board received and considered information comparing the Advisory Agreement Rate with the advisory fees for the Category and Peer Group. The Board noted that the Advisory Agreement Rate was higher than the median rate of the Peer Group and Category.

The Board received and considered expense information regarding the Fund's various components, including advisory fees, and other non-advisory fees, including transfer agent fees, custodian fees and other miscellaneous fees (e.g., fees for accounting and legal services). The Board considered comparisons of these expenses to the Peer Group median. The Board also received and considered expense information regarding the Fund's total operating expense ratio (Expense Ratio). The Board noted that, unlike the Fund, several funds in the Peer Group employed fee waivers or reimbursements. The Board received and considered information comparing the Expense Ratio of the Fund to that of the Category and Peer Group medians before the application of fee waivers and reimbursements (Gross Expense Ratio) and after the application of such waivers and reimbursement (Net Expense Ratio). The Board noted that the Fund's Expense Ratio was higher than the Gross and Net Expense Ratio of the Peer Group median. The Board also noted the differences in the funds included in the Peer Group, including differences in the employment of fee waivers and reimbursements and differences in the amount of assets under management. The Board noted that the Fund's Expense Ratio was lower than the Gross Expense Ratio and equal to the Net Expense Ratio of the Category median.

The Adviser also discussed the Morningstar data and rankings, and other relevant information, for the Fund. The Adviser noted that most of the funds in the Peer Group were unleveraged, which contributed to the results. Based on the above-referenced considerations and other factors, the Board concluded that the Fund's overall expense results and performance supported the re-approval of the Advisory Agreements.

The Board also received information about the investment subadvisory fee rate (the Subadvisory Agreement Rate) payable by the Adviser to the Subadviser for investment subadvisory services. The Board concluded

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that the Subadvisory Agreement Rate was fair and equitable, based on its consideration of the factors described here.

**Profitability**

The Board received and considered a detailed profitability analysis of the Adviser based on the Advisory Agreements, as well as on other relationships between the Fund and the Adviser and its affiliates, including the Subadviser. The Board also considered a comparison of the Adviser's profitability to that of other similar investment advisers whose profitability information is publicly available. The Board concluded that, in light of the costs of providing investment management and other services to the Fund, the profits and other ancillary benefits reported by the Adviser were not unreasonable.

**Economies of scale**

The Board received and considered general information regarding economies of scale with respect to the management of the Fund, including the Fund's ability to appropriately benefit from economies of scale under the Fund's fee structure. The Board recognized the inherent limitations of any analysis of economies of scale, stemming largely from the Board's understanding that most of the Adviser's and Subadviser's costs are not specific to individual Funds, but rather are incurred across a variety of products and services.

The Board noted that the Advisory Agreements offered breakpoints. However, the Board considered the limited relevance of economies of scale in the context of a closed-end fund that, unlike an open-end fund, does not continuously offer its shares. The Board noted that the Fund, as a closed-end investment company, was not expected to increase materially in size and that its assets would grow (if at all) through the investment performance of the Fund. Therefore, the Board did not consider potential economies of scale as a principal factor in assessing the fees payable under the Advisory Agreements, but concluded that the fees were fair and equitable based on relevant factors.

**Other benefits to the Adviser**

The Board received information regarding potential fall-out or ancillary benefits received by the Adviser and its affiliates as a result of the Adviser's relationship with the Fund. Such benefits could include, among others, benefits directly attributable to the relationship of the Adviser with the Fund and benefits potentially derived from an increase in the business of the Adviser as a result of its relationship with the Fund (such as the ability to market to shareholders other financial products offered by the Adviser and its affiliates).

The Board also considered the effectiveness of the Adviser's, Subadviser's and Fund's policies and procedures for complying with the requirements of the federal securities laws, including those relating to best execution of portfolio transactions and brokerage allocation.

**Other factors and broader review**

As discussed above, the Board reviewed detailed materials received from the Adviser and Subadviser as part of the annual re-approval process. The Board also regularly reviews and assesses the quality of the services that the Fund receives throughout the year. In this regard, the Board reviews reports of the Adviser and Subadviser at least quarterly, which include, among other things, fund performance reports and compliance reports. In addition, the Board meets with portfolio managers and senior investment officers at various times throughout the year.

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board concluded that approval of the continuation of the Advisory Agreements for the Fund was in the best interest of the Fund and its shareholders. Accordingly, the Board unanimously approved the continuation of the Advisory Agreements.

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## For more information

The Fund's proxy voting policies, procedures and records are available without charge, upon request:

**By phone**

1-800-225-5291

**On the Fund's Web site**

[www.jhfunds.com/proxy](http://www.jhfunds.com/proxy)

**On the SEC's Web site**

[www.sec.gov](http://www.sec.gov)

**Trustees**

Ronald R. Dion, *Chairman*  
 James R. Boyle  
 James F. Carlin  
 William H. Cunningham  
 Charles L. Ladner\*  
 Dr. John A. Moore\*  
 Patti McGill Peterson\*  
 Steven R. Pruchansky

Gordon M. Shone  
*Treasurer*

John G. Vrysen  
*Chief Operating Officer*

**Investment adviser**  
 John Hancock Advisers, LLC  
 601 Congress Street  
 Boston, MA 02210-2805

**Subadviser**  
 MFC Global Investment  
 Management (U.S.), LLC  
 101 Huntington Avenue  
 Boston, MA 02199

**Custodian**  
 The Bank of New York  
 One Wall Street  
 New York, NY 10286

**Transfer agent for  
 common shareholders**  
 Mellon Investor Services  
 Newport Office Center VII  
 480 Washington Boulevard  
 Jersey City, NJ 07310

**Transfer agent for  
 preferred shareholders**

Deutsche Bank Trust  
 Company Americas  
 280 Park Avenue  
 New York, NY 10017

**Legal counsel**  
 Kirkpatrick & Lockhart  
 Preston Gates Ellis LLP  
 One Lincoln Street  
 Boston, MA 02111-2950

**Stock symbol**  
 Listed New York Stock  
 Exchange:  
 JHS

**For shareholder assistance  
 refer to page 33**

\*Members of the Audit Committee  
 Non-Independent Trustee

**Officers**

Keith F. Hartstein  
*President and  
 Chief Executive Officer*

Thomas M. Kinzler  
*Secretary and Chief Legal Officer*

Francis V. Knox, Jr.  
*Chief Compliance Officer*

Charles A. Rizzo  
*Chief Financial Officer*

**How to contact us**

**Internet**      [www.jhfunds.com](http://www.jhfunds.com)

**Mail**              Mellon Investor Services  
 Newport Office Center VII  
 480 Washington Boulevard  
 Jersey City, NJ 07310

**Phone**            Customer service representatives      1-800-852-0218  
                          Portfolio commentary                    1-800-344-7054

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EASI-Line

1-800-843-0090

TDD line

1-800-231-5469

A listing of month-end portfolio holdings is available on our Web site, [www.jhfunds.com](http://www.jhfunds.com). A more detailed portfolio holdings summary is available on a quarterly basis 60 days after the fiscal quarter on our Web site or upon request by calling 1-800-225-5291, or on the SEC's Web site, [www.sec.gov](http://www.sec.gov).

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## JOHN HANCOCK FAMILY OF FUNDS

### EQUITY

Balanced Fund  
Classic Value Fund  
Classic Value Fund II  
Classic Value Mega Cap Fund  
Core Equity Fund  
Growth Fund  
Growth Opportunities Fund  
Growth Trends Fund  
Intrinsic Value Fund  
Large Cap Equity Fund  
Large Cap Select Fund  
Mid Cap Equity Fund  
Multi Cap Growth Fund  
Small Cap Equity Fund  
Small Cap Fund  
Small Cap Intrinsic Value Fund  
Sovereign Investors Fund  
U.S. Core Fund  
U.S. Global Leaders Growth Fund  
Value Opportunities Fund

### ASSET ALLOCATION

Allocation Core Portfolio  
Allocation Growth + Value Portfolio  
Lifecycle 2010 Portfolio  
Lifecycle 2015 Portfolio  
Lifecycle 2020 Portfolio  
Lifecycle 2025 Portfolio  
Lifecycle 2030 Portfolio  
Lifecycle 2035 Portfolio  
Lifecycle 2040 Portfolio  
Lifecycle 2045 Portfolio  
Lifecycle Retirement Portfolio  
Lifestyle Aggressive Portfolio  
Lifestyle Balanced Portfolio  
Lifestyle Conservative Portfolio

### INTERNATIONAL/GLOBAL

Global Opportunities Fund  
Global Shareholder Yield Fund  
Greater China Opportunities Fund  
International Allocation Portfolio  
International Classic Value Fund  
International Core Fund  
International Growth Fund

### INCOME

Bond Fund  
Government Income Fund  
High Yield Fund  
Investment Grade Bond Fund  
Strategic Income Fund

### TAX-FREE INCOME

California Tax-Free Income Fund  
High Yield Municipal Bond Fund  
Massachusetts Tax-Free Income Fund  
New York Tax-Free Income Fund  
Tax-Free Bond Fund

### MONEY MARKET

Money Market Fund  
U.S. Government Cash Reserve

### CLOSED-END

Bank and Thrift Opportunity Fund  
Financial Trends Fund, Inc.  
Income Securities Trust  
Investors Trust  
Patriot Premium Dividend Fund II  
Patriot Select Dividend Trust  
Preferred Income Fund  
Preferred Income II Fund  
Preferred Income III Fund

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Lifestyle Growth Portfolio  
Lifestyle Moderate Portfolio

Tax-Advantaged Dividend Income Fund  
Tax-Advantaged Global Shareholder Yield Fund

## SECTOR

Financial Industries Fund  
Health Sciences Fund  
Real Estate Fund  
Regional Bank Fund  
Technology Fund  
Technology Leaders Fund

The Fund's investment objectives, risks, charges and expenses are included in the prospectus and should be considered carefully before investing. For a prospectus, contact your financial professional, call John Hancock Funds at 1-800-225-5291 or visit the Fund's Web site at [www.jhfunds.com](http://www.jhfunds.com). Please read the prospectus carefully before investing or sending money.

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1-800-852-0218  
1-800-231-5469 TDD  
1-800-843-0090 EASI-Line  
[www.jhfunds.com](http://www.jhfunds.com)

PRESORTED  
STANDARD  
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PAID  
MIS

P60SA 6/07  
8/07

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## ITEM 2. CODE OF ETHICS.

As of the end of the period, June 30, 2007, the registrant has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Chief Executive Officer, Chief Financial Officer and Treasurer (respectively, the principal executive officer, the principal financial officer and the principal accounting officer, the Senior Financial Officers). A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

## ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

## ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. SCHEDULE OF INVESTMENTS.

Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The registrant has adopted procedures by which shareholders may recommend nominees to the registrant's Board of Trustees. A copy of the procedures is filed as an exhibit to this Form N-CSR. See attached [John Hancock Funds Governance Committee Charter](#) .

ITEM 11. CONTROLS AND PROCEDURES.

(a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal executive officer and principal financial officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed

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by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a)(1) Code of Ethics for Senior Financial Officers is attached.

(a)(2) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

(b) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and Rule 30a-2(b) under the Investment Company Act of 1940, are attached. The certifications furnished pursuant to this paragraph are not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference.

(c)(1) Submission of Matters to a Vote of Security Holders is attached. See attached and [John Hancock Funds Governance Committee Charter](#) .

(c)(2) Contact person at the registrant.

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SIGNATURES

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

John Hancock Income Securities Trust

By: /s/ Keith F. Hartstein

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Keith F. Hartstein

President and Chief Executive Officer

Date: August 27, 2007

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

By: /s/ Keith F. Hartstein

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Keith F. Hartstein

President and Chief Executive Officer

Date: August 27, 2007

By: /s/ Charles A. Rizzo

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Charles A. Rizzo

Chief Financial Officer

Date: August 27, 2007

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