JOHN HANCOCK PREFERRED INCOME FUND
Form N-CSR
October 03, 2008

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

FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811- 21131

John Hancock Preferred Income Fund
(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: July 31

Date of reporting period: July 31, 2008

ITEM 1. REPORT TO SHAREHOLDERS.

Discussion of Fund performance

By MFC Global Investment Management (U.S.), LLC

Preferred stocks suffered significant losses during the 12-month period ended July 31, 2008. Worsening conditions in the credit markets prompted waves of preferred-stock selling, at the same time that the group was hit by a massive influx of new preferred stock issues and waning demand. For the 12 months ended July 31, 2008, John Hancock Preferred Income Fund returned –12.70% at net asset value (NAV) and –15.64% at market value. The difference in the Fund's NAV performance and its market performance stems from the fact that 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 Funds NAV share price at any time. By comparison, the average long-term closed-end bond fund returned 15.97%, according to Morningstar, Inc. For the same 12-month period, the Lehman Brothers U.S. Aggregate Index returned 6.15%, and the Merrill Lynch Preferred Stock Hybrid Securities Index returned 9.40%. The Funds underperformance of the Merrill Lynch index stemmed primarily from our larger exposure to tax-advantaged preferred stocks those eligible for a benefit known as the dividends received deduction (DRD) which suffered the most from burgeoning supply and, as a result, were among the preferred segments biggest laggards. The Funds current annualized distribution rate was 10.18% at NAV and 10.72% at closing market price on July 31, 2008.

Preferred stocks suffered significant losses during the 12-month period ended July 31, 2008.

In a period in which most preferred stocks declined, our financial holdings were among our biggest detractors, including Lehman Brothers Holdings, Inc. and Merrill Lynch & Co. Inc., which faltered because of the write-offs stemming from losses in mortgage-backed holdings. In contrast, we enjoyed reasonably good performance from some energy-related and utility companies preferred holdings, such as Nexen, Inc., whose profitability improved as energy prices remained high and the U.S. dollar weakened.

This commentary reflects the views of the portfolio management team through the end of the Funds period discussed in this report. The teams statements reflect its 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.

The Fund normally will invest at least 25% of its managed assets in securities of companies in the utilities industry. Such an investment concentration makes the Fund more susceptible than a more broadly diversified fund to factors adversely affecting the utilities industry. Sector investing is subject to greater risks than the market as a whole. International investing involves special risks such as political, economic and currency risks and differences in accounting standards and financial reporting. These risks are more significant in emerging markets. Past performance is no guarantee of future results.

Top 10 holdings[1]

Nexen, Inc., 7.35%	4.4%	Interstate Power & Light Co., 8.375%, Ser B	2.7%
DPL Capital Trust II, 8.125%	3.9%	BGE Capital Trust II, 6.20%	2.6%
Viacom, Inc., 6.85%	3.1%	ING Groep NV, 7.05%	2.3%
FPC Capital I, 7.10%, Ser A	3.1%	Telephone & Data Systems, Inc., 7.60%, Ser A	2.3%
PFGI Capital Corp., 7.75%	3.0%		
MetLife, Inc., 6.50%, Ser B	2.8%		

Industry distribution[1]

Electric utilities	24%	Broadcasting & cable TV	3%
Diversified financial services	11%	Movies & entertainment	3%

Diversified banks	11%	Regional banks	3%
Investment banking & brokerage	8%	Integrated telecommunication services	3%
Life & health insurance	5%	Real estate investment trusts	3%
Multi-line insurance	5%	Gas utilities	2%
Oil & gas exploration & production	4%	Agricultural products	2%
Multi-utilities	4%	Other	5%
Consumer finance	4%		

Country concentration[1]

United States	86%	United Kingdom	4%
Netherlands	4%	Other	2%
Canada	4%		

[1] As a percentage of the Fund□s total investments on July 31, 2008.

FINANCIAL STATEMENTS

Fund□s investments

Securities owned by the Fund on 7-31-08

This schedule is divided into three main categories: bonds, common stocks, and preferred stocks. Bonds, common stocks and preferred stocks are further broken down by industry group.

Issuer, description	Interest rate	Maturity date	Credit rating (A)	Par value (000)	Value
Bonds 2.46%					**$11,631,495**
(Cost $13,761,293)					
Electric Utilities 0.95%					**4,482,920**
Entergy Gulf States, Inc.,					

1st Mtg Bond (Z)	6.200	07-01-33	BBB+	$5,000	4,482,920
Gas Utilities 1.51%					**7,148,575**
Southern Union Co., Jr Sub Note Ser A (Z)	7.200	11-01-66	BB	8,800	7,148,575

Issuer	Shares	Value
Common stocks 0.97%		**$4,566,900**
(Cost $9,685,658)		
Multi-Utilities 0.97%		**4,566,900**
PNM Resources, Inc. (Z)	390,000	4,566,900

Issuer, description	Credit rating (A)	Shares	Value
Preferred stocks 143.64%			**$678,112,535**
(Cost $788,844,517)			
Agricultural Products 2.75%			**12,986,188**
Ocean Spray Cranberries, Inc., 6.25%, Ser A (S)(Z)	BBB	143,000	12,986,188
Automobile Manufacturers 0.81%			**3,839,024**
General Motors Corp., 7.25% (Z)	B	94,050	1,015,740
General Motors Corp., 7.25% (Z)	B	260,932	2,823,284
Broadcasting & Cable TV 5.09%			**24,003,760**
CBS Corp., 6.75% (Z)	BBB	193,600	3,910,720
Comcast Corp., 7.00% (Z)	BBB+	232,000	5,308,160
Comcast Corp., 7.00%, Ser B (Z)	BBB+	634,000	14,784,880

See notes to financial statements

FINANCIAL STATEMENTS

Issuer, description	Credit rating (A)	Shares	Value
Consumer Finance 5.42%			**$25,564,212**
HSBC Finance Corp., 6.00% (Z)	AA	134,200	2,744,390
HSBC Finance Corp., 6.88% (Z)	AA	400,000	8,784,000
HSBC Finance Corp., 6.36%, Depositary Shares, Ser B (Z)	A	297,000	5,806,350
SLM Corp., 6.00% (Z)	BBB	194,100	3,218,178
SLM Corp., 6.97%, Ser A (Z)	BB	147,391	5,011,294
Diversified Banks 15.78%			**74,490,461**
BAC Capital Trust IV, 5.875% (Z)	A+	30,000	565,800
Bank of America Corp., 8.20% (Z)	A1	318,500	7,723,625
Bank of America Corp., 6.204%, Depositary Shares, Ser D (Z)	A+	305,000	5,962,750
Barclays Bank PLC, 7.10%, Ser 3 (Z)	A+	55,000	1,196,250
Fleet Capital Trust VIII, 7.20% (Z)	A+	482,183	10,468,193
HSBC Holdings PLC, 6.20%, Ser A (Z)	A	161,000	3,316,600
Lloyds TSB Bank PLC, 6.90%	A+	7,500	6,937,500
Royal Bank of Scotland Group PLC, 6.35%, Ser N (Z)	A	25,000	426,250
Royal Bank of Scotland Group PLC, 5.75%, Ser L (Z)	A	550,900	8,830,927
Royal Bank of Scotland Group PLC, 7.25%, Ser T (Z)	A	59,000	1,180,000
Santander Finance Preferred SA, Unipersonal, 6.41%, Ser 1 (Z)	A+	225,000	4,380,750
USB Capital VIII, 6.35%, Ser 1 (Z)	A+	179,800	3,784,790
USB Capital X, 6.50% (Z)	A+	45,000	988,200
Wachovia Corp., 8.00%	A	659,100	12,641,538

Wachovia Preferred Funding Corp., 7.25%, Ser A (Z)	A	185,000	3,441,000
Wells Fargo Capital Trust IV, 7.00% (Z)	AA	108,100	2,646,288
Diversified Financial Services 16.26%			**76,740,703**
ABN AMRO Capital Funding Trust V, 5.90% (Z)	A	626,100	10,455,870
ABN AMRO Capital Funding Trust VII, 6.08% (Z)	A	338,000	5,864,300
Citigroup Capital VII, 7.125% (Z)	A	336,500	7,012,660
Citigroup Capital VIII, 6.95% (Z)	A	658,600	13,106,140
Citigroup Capital X, 6.10% (Z)	A	40,000	704,800
Citigroup Capital XI, 6.00% (Z)	A	25,000	439,000
Deutsche Bank Capital Funding Trust VIII, 6.375% (Z)	A+	426,250	8,648,613
Deutsche Bank Contingent Capital Trust II, 6.55% (Z)	A+	526,750	10,856,317
JPMorgan Chase Capital X, 7.00%, Ser J (Z)	A	575,100	14,204,970
JPMorgan Chase Capital XI, 5.875%, Ser K (Z)	A	254,700	5,448,033

See notes to financial statements

Issuer, description	Credit rating (A)	Shares	Value
Electric Utilities 34.31%			**$161,984,540**
DPL Capital Trust II, 8.125% (Z)	BB+	$24,000	27,048,528
Duquesne Light Co., 6.50% (Z)	BB	73,650	2,812,509

Entergy Mississippi, Inc., 7.25%	A–	363,650	9,182,162
FPC Capital I, 7.10%, Ser A (Z)	BBB–	890,000	21,173,100
FPL Group Capital Trust I, 5.875% (Z)	BBB+	502,200	11,851,920
FPL Group Capital, Inc., 7.45%, Ser E (Z)	BBB+	55,000	1,435,500
Georgia Power Capital Trust VII, 5.875% (Z)	BBB+	250,600	5,964,280
Georgia Power Co., 6.00%, Ser R (Z)	A	402,400	9,959,400
HECO Capital Trust III, 6.50% (Z)	BB+	370,000	8,972,500
Interstate Power & Light Co., 8.375%, Ser B (Z)	Baa2	699,500	19,039,551
NSTAR Electric Co., 4.78% (Z)	A–	15,143	1,255,521
PPL Electric Utilities Corp., 6.25%, Depositary Shares (Z)	BBB	300,000	7,162,500
PPL Energy Supply, LLC, 7.00% (Z)	BBB	563,160	14,219,790
Public Service Electric & Gas Co., 4.18%, Ser B (Z)	BB+	4,805	356,051
Southern California Edison Co., 6.125% (Z)	BBB–	119,000	11,632,250
Westar Energy, Inc., 6.10% (Z)	BBB	97,300	2,175,628
Xcel Energy, Inc., 7.60%	BBB–	308,500	7,743,350
Gas Utilities 2.08%			**9,817,457**
Southwest Gas Capital II, 7.70% (Z)	BB	408,550	9,817,457
Integrated Telecommunication Services 4.23%			**19,988,381**
Telephone & Data Systems, Inc., 7.60%, Ser A	BBB–	816,553	15,726,811
Telephone & Data Systems, Inc., 6.625% (Z)	BBB–	233,000	4,261,570
Investment Banking & Brokerage 11.94%			**56,378,718**
Bear Stearns Capital Trust III, 7.80% (Z)	A	227,300	5,382,464
Goldman Sachs Group, Inc., 6.20%, Ser B (Z)	A	432,400	9,456,588

Lehman Brothers Holdings Capital Trust III, 6.375%, Ser K (Z)	BBB+	150,000	2,136,000
Lehman Brothers Holdings, Inc., 5.94%, Depositary Shares, Ser C (Z)	BBB+	175,600	4,293,420
Merrill Lynch & Co., Inc., 8.625%, Ser MER	BBB+	155,000	3,185,250
Merrill Lynch Preferred Capital Trust III, 7.00% (Z)	BBB+	366,400	6,837,024
Merrill Lynch Preferred Capital Trust IV, 7.12% (Z)	BBB+	278,752	5,201,512
Merrill Lynch Preferred Capital Trust V, 7.28% (Z)	BBB+	367,000	6,947,310
Morgan Stanley Capital Trust III, 6.25% (Z)	A	192,400	3,645,980
Morgan Stanley Capital Trust IV, 6.25% (Z)	A	57,000	1,086,990

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Issuer, description	**Credit rating (A)**	**Shares**	**Value**
Investment Banking & Brokerage (continued)			
Morgan Stanley Capital Trust V, 5.75% (Z)	A1	347,000	$6,225,180
Morgan Stanley Capital Trust VI, 6.60% (Z)	A	100,000	1,981,000
Life & Health Insurance 7.46%			**35,193,810**
Lincoln National Capital VI, 6.75%, Ser F (Z)	A	175,800	4,025,820
MetLife, Inc., 6.50%, Ser B (Z)	BBB	950,500	19,618,320
PLC Capital Trust IV, 7.25% (Z)	BBB+	224,600	4,525,690

PLC Capital Trust V, 6.125% (Z)	BBB+	256,000	4,590,080
Prudential PLC, 6.50% (Z)	A	122,000	2,433,900
Movies & Entertainment 4.53%			**21,375,910**
Viacom, Inc., 6.85% (Z)	BBB	985,065	21,375,910
Multi-Line Insurance 7.21%			**34,071,620**
Aegon NV, 6.375% (Z)	A	444,900	7,576,647
Aegon NV, 6.50% (Z)	A	116,100	1,980,666
ING Groep NV, 6.125% (Z)	A	61,500	1,123,605
ING Groep NV, 6.20% (Z)	A	156,993	2,803,895
ING Groep NV, 7.05% (Z)	A	760,100	15,863,287
ING Groep NV, 7.375% (Z)	A	120,500	2,583,520
ING Groep NV, 7.20% (Z)	A	100,000	2,140,000
Multi-Utilities 5.23%			**24,683,641**
Baltimore Gas & Electric Co., 6.99%, Ser 1995 (Z)	Ba1	40,000	4,131,252
BGE Capital Trust II, 6.20% (Z)	BBB	836,825	17,782,531
DTE Energy Trust I, 7.80% (Z)	BB+	111,150	2,769,858
Oil & Gas Exploration & Production 6.55%			**30,926,000**
Nexen, Inc., 7.35% (Z)	BB+	1,316,000	30,926,000
Real Estate Investment Trusts 4.11%			**19,410,806**
Duke Realty Corp., 6.60%, Depositary Shares, Ser L (Z)	BBB	109,840	2,014,466
Duke Realty Corp., 6.50%, Depositary Shares, Ser K (Z)	BBB	110,000	2,031,700
Duke Realty Corp., 6.625%, Depositary Shares, Ser J (Z)	BBB	66,525	1,277,280
Public Storage, Inc., 7.50%, Depositary Shares, Ser V (Z)	BBB+	497,643	11,694,610

Public Storage, Inc., 6.45%, Depositary Shares, Ser X (Z)	BBB+	25,000	476,750
Public Storage, Inc., 6.50%, Depositary Shares, Ser W (Z)	BBB+	100,000	1,916,000
Regional Banks 4.40%			**20,761,136**
KeyCorp Capital VI, 6.125% (Z)	BBB	25,900	363,636
PFGI Capital Corp., 7.75% (Z)	A	796,000	20,397,500
Reinsurance 0.56%			**2,648,630**
RenaissanceRe Holdings, Ltd., 6.08%, Ser C (Z)	BBB+	153,100	2,648,630

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Issuer		**Shares**	**Value**
Specialized Finance 1.00%			**$4,726,561**
CIT Group, Inc., 6.35%, Ser A (Z)	BBB-	145,000	1,892,250
Repsol International Capital, Ltd., 7.45%, Ser A	BB+	114,703	2,834,311
Thrifts & Mortgage Finance 1.02%			**4,829,625**
Sovereign Capital Trust V, 7.75%	BB+	238,500	4,829,625
U.S. Government Agency 0.28%			**1,343,200**
Federal National Mortgage Assn., 8.25%	AA-	80,000	1,343,200
Wireless Telecommunication Services 2.62%			**12,348,152**
United States Cellular Corp., 7.50%	BBB-	582,460	12,348,152
Total investments (Cost $812,291,468)—147.07%			**$694,310,930**

Other assets and liabilities, net (47.07%)	**($222,217,387)**
Total net assets 100.00%	**$472,093,543**

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

(A) Credit ratings are unaudited and are rated by Moodys Investors Service where Standard & Poors ratings are not available unless indicated otherwise.

(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 $12,986,188 or 2.75% of the net assets of the Fund as of July 31, 2008.

(Z) All or a portion of this security is segregated as collateral for the Committed Facility Agreement (see Note 7). Total collateral value at July 31, 2008 was $603,895,482.

 At July 31, 2008, the aggregate cost of investment securities for federal income tax purposes was $812,325,042. Net unrealized depreciation aggregated $118,014,112, of which $10,270,076 related to appreciated investment securities and $128,284,188 related to depreciated investment securities.

The Fund had the following financial futures contracts open on July 31, 2008:

OPEN CONTRACTS	NUMBER OF CONTRACTS	POSITION	EXPIRATION	UNREALIZED DEPRECIATION
U.S. 10-year Treasury Note	252	Short	Sep 2008	$4,788

The Fund had the following interest rate swap contracts open on July 31, 2008:

	RATE TYPE				
NOTIONAL AMOUNT	PAYMENTS MADE BY FUND	PAYMENTS RECEIVED BY FUND	TERMINATION DATE	COUNTERPARTY	UNREALIZED DEPRECIATION
$70,000,000	4.37% (a)	3-month LIBOR	Nov 2010	Bank of America	$1,505,367
70,000,000	3.79% (a)	3-month LIBOR	Jan 2011	Morgan Stanley	336,913
Total					$1,842,280

(a) Fixed rate

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Financial statements

Statement of assets and liabilities 7-31-08

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'll also find the net asset value for each common share.

Assets	
Investments at value (Cost $812,291,468)	$694,310,930
Cash collateral at broker for future contracts	453,600
Receivable for investments sold	913,806
Dividends and interest receivable	2,857,836
Prepaid arrangement fee (Note 7)	439,167
Receivable from affiliates	33,071
Other receivables and prepaid expenses	13,261
Total assets	**699,021,671**
Liabilities	
Due to custodian	1,606,367
Unrealized depreciation of swap contracts (Note 2)	1,842,280
Payable for futures variation margin (Note 2)	181,125
Committed facility agreement payable (Note 7)	223,000,000
Interest payable (Note 7)	38,683
Payable to affiliates	
Management fees	11,394
Other	52,149
Other payables and accrued expenses	196,130
Total liabilities	**226,928,128**
Net assets	
Capital paid-in	612,532,587
Accumulated net realized loss on investments	(21,438,070)
Net unrealized depreciation of investments, financial futures contracts and swap contracts	(119,827,606)
Accumulated net investment income	826,632
Net assets	**$472,093,543**
Net asset value per share	
Based on 25,826,164 common shares outstanding — unlimited number of shares authorized with no par value	$18.28

See notes to financial statements

FINANCIAL STATEMENTS

Statement of operations For the year ended 7-31-08

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	
Dividends (net of foreign withholding taxes of $7,512)	$54,092,352
Interest	6,236,487
Total investment income	**60,328,839**
Expenses	
Investment management fees (Note 3)	6,127,307
Accounting and legal services fees (Note 3)	98,242
Transfer agent fees	32,710
Interest expense (Note 7)	1,631,590
APS auction fees	609,641
Professional fees	143,557
Custodian fees	137,857
Printing fees	123,790
Trustees' fees	50,947
Registration and filing fees	32,639
Miscellaneous	171,716
Total expenses	**9,159,996**
Less expense reductions (Note 3)	(1,250,582)
Net expenses	**7,909,414**
Net investment income	**52,419,425**
Realized and unrealized gain (loss)	
Net realized gain (loss) on	
Investments	(14,523,467)
Financial futures contracts	(7,341,495)
Swap contracts	1,480,654
	(20,384,308)
Change in net unrealized appreciation (depreciation) of	
Investments	(90,037,602)
Financial futures contracts	(204,829)
Swap contracts	(3,721,959)

	(93,964,390)
Net realized and unrealized loss	**(114,348,698)**
Distributions to APS	**(10,892,837)**
Decrease in net assets from operations	**($72,822,110)**

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

Statements 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.

	Year ended 7-31-07	**Year ended 7-31-08**
Increase (decrease) in net assets		
From operations		
Net investment income	$55,133,776	$52,419,425
Net realized gain (loss)	10,246,873	(20,384,308)
Change in net unrealized appreciation (depreciation)	(16,784,780)	(93,964,390)
Distributions to APS	(14,161,545)	(10,892,837)
Increase (decrease) in net assets resulting from operations	**34,434,324**	**(72,822,110)**
Distributions to common shareholders		
From net investment income	(47,933,930)	(48,005,450)
From net realized gain	(5,449,360)	(3,948,356)
	(53,383,290)	**(51,953,806)**
From Fund share transactions (Note 4)	**1,862,756**	**360,205**
Total decrease	**(17,086,210)**	**(124,415,711)**
Net assets		
Beginning of year	613,595,464	596,509,254
End of year[1]	**$596,509,254**	**$472,093,543**

[1] Includes accumulated net investment income of $664,559 and $826,632, respectively.

See notes to financial statements

F I N A N C I A L S T A T E M E N T S

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	**7-31-04**[1]	**7-31-05**[1]	**7-31-06**	**7-31-07**	**7-31-08**
Per share operating performance					
Net asset value, beginning of year	**$25.15**	**$24.59**	**$25.78**	**$23.85**	**$23.11**
Net investment income[2]	2.31	2.30	2.24	2.13	2.04
Net realized and unrealized gain (loss) on investments	(0.25)	1.16	(1.66)	(0.25)	(4.44)
Distribution to APS	(0.13)	(0.26)	(0.45)	(0.55)	(0.42)
Total from investment operations	**1.93**	**3.20**	**0.13**	**1.33**	**(2.82)**
Less distributions to common shareholders					
From net investment income	(2.16)	(2.01)	(1.86)	(1.86)	(1.86)
From net realized gain	(0.33)	—	(0.20)	(0.21)	(0.15)
Total distributions	**(2.49)**	**(2.01)**	**(2.06)**	**(2.07)**	**(2.01)**
Net asset value, end of year	**$24.59**	**$25.78**	**$23.85**	**$23.11**	**$18.28**
Per share market value, end of year	**$24.14**	**$23.46**	**$23.63**	**$22.70**	**$17.35**
Total return at net asset value (%)[3,4]	**7.97**[5]	**13.87**[5]	**1.37**	**5.46**	**(12.70)**
Total return at market value (%)[3,4]	**9.65**	**5.55**	**10.37**	**4.56**	**(15.64)**
Ratios and supplemental data					
Net assets applicable to common shares, end of year (in millions)	$633	$663	$614	$597	$472
Ratios (as a percentage of average net assets):					
Expenses before reductions (excluding interest expense)	1.31	1.31	1.01	1.02	1.39
Interest expense (Note 7)	—	—	—	—	0.30
Expenses before reductions (including interest expense)[6]	1.31	1.31	1.31	1.32	1.69
Expenses net of all fee waivers (excluding interest expense)	1.02	1.02	1.03	1.03	1.16
Interest expense (Note 7)	—	—	—	—	0.30
Expenses net of all fee waivers[7]	1.02	1.02	1.03	1.03	1.46
Net investment income[8]	9.21	9.03	9.14	8.77	9.67
Portfolio turnover (%)	21	24	18	15	10
Senior securities					
Total value of APS outstanding					

(in millions)	$280	$280	$280	$280	—[9]
Involuntary liquidation preference					
per unit (in thousands)	$25	$25	$25	$25	—
Average market value per unit					
(in thousands)	$25	$25	$25	$25	—
Asset coverage per unit[10]	$79,892	$83,539	$79,097	$78,080	—
Total debt outstanding end of					
period (in millions) (Note 7)	—	—	—	—	$223
Asset coverage per $1,000 of APS[11]	$3,259	$3,369	$3,191	$3,130	—
Asset coverage per $1,000 of debt[12]	—	—	—	—	$3,117

See notes to financial statements

FINANCIAL STATEMENTS

Notes to Financial Highlights

1 Audited by previous Independent Registered Public Accounting Firm.

2 Based on the average of the shares outstanding.

3 Total returns would have been lower had certain expenses not been reduced during the periods shown.

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

5 Unaudited.

6 Ratios calculated on the basis of gross expenses relative to the average net assets of common shares that do not take into consideration expense reductions during the periods shown. Without the exclusion of preferred shares, the annualized ratios of gross expenses would have been 0.91%, 0.92%, 0.91% and 0.91% for the years ended 7-31-04, 7-31-05, 7-31-06 and 7-31-07, respectively.

7 Ratios calculated on the basis of net expenses relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratios of net expenses would have been 0.71%, 0.72%, 0.71% and 0.71% for the years ended 7-31-04, 7-31-05, 7-31-06 and 7-31-07, respectively.

8 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 annualized ratios of net investment income would have been 6.43%, 6.33%, 6.33% and 6.08% for the years ended 7-31-04, 7-31-05, 7-31-06 and 7-31-07, respectively.

9 In May 2008, the Fund entered into a Committed Facility Agreement with a third party commercial bank in order to redeem the APS. The redemption of all APS was completed on May 28, 2008.

10 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.

[11] Asset coverage equals the total net assets plus APS divided by the APS of the Fund outstanding at period end. (See Note 5.)

[12] Asset coverage equals total net assets plus borrowings divided by the borrowing of the Fund outstanding at period end.

(See Note 5.)

See notes to financial statements

Notes to financial statements

Note 1
Organization

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

Note 2
Significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. The following summarizes the significant accounting policies of the Fund:

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. 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 evaluated prices 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 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. Debt securities whose prices cannot be provided by an independent pricing service are valued at prices provided by broker-dealers.

In deciding whether to make a fair value adjustment to the price of a security, the Board of Trustees or their designee may review a variety of factors, including developments in foreign markets, the performance of U.S. securities markets and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The Fund may also fair value securities in other situations, for example, when a particular foreign market is closed, but the Fund is calculating the net asset value. In view of these factors, it is likely that a Fund investing significant amounts of assets in securities in foreign markets will be fair valued more frequently than a Fund investing significant amounts of assets in frequently traded, U.S. exchange listed securities of large-capitalization U.S. issuers.

For purposes of determining when fair value adjustments may be appropriate with respect to investments in securities in foreign markets that close prior to the NYSE, the Fund will, on an ongoing basis, monitor for significant market events. A significant market event may be a certain percentage change in the value of an index or of certain Exchange Traded Funds that track foreign markets in which the Fund has significant investments. If a significant market event occurs due to a change in the value of the index or of Exchange Traded Funds, the pricing for investments in foreign markets that have closed prior to the NYSE will promptly be reviewed and potential adjustments to the net asset value will be recommended to the Fund's Pricing Committee where applicable.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Investment risk

The Fund may invest a portion of its assets in issuers and/or securities of issuers that hold mortgage securities, including subprime mortgage securities. The value of these securities is sensitive to changes in economic conditions, including delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

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 security transactions are reported on trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date net of foreign withholding taxes. Discounts/premiums are accreted/amortized for financial reporting purposes. Realized gains and losses from investment transactions are recorded on an identified cost basis.

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.

Expenses

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

Futures

The Fund may purchase and sell financial futures contracts and options on those contracts. The Fund invests in contracts based on financial instruments such as U.S. Treasury Bonds or Notes or on securities indices such as the Standard & Poor's 500 Index, in order to hedge against a decline in the value of securities owned by the Fund.

Initial margin deposits required upon entering into futures contracts are satisfied by the delivery of specific securities or cash as collateral to the broker (the Fund's agent in acquiring the futures position). If the position is closed out by an opposite position prior to the settlement date of the futures contract, a final determination of variation margin is made, cash is required to be paid to or released by the broker and the Fund realizes a gain or loss.

When the Fund sells a futures contract based on a financial instrument, the Fund becomes obligated to deliver that kind of instrument at an agreed upon date for a specified price. The Fund realizes a gain or loss depending on whether the price of an offsetting purchase is less or more than the price of the initial sale or on whether the price of an offsetting sale is more or less than the price of the initial purchase. The Fund could be exposed to risks if it could not close out futures positions because of an illiquid secondary market or the inability of counterparties to meet the terms of their

contracts. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade.

Swap contracts

The Fund may enter into swap transactions in order to hedge the value of the Fund's portfolio against interest rate fluctuations or to enhance the Fund's income or to manage the Fund's exposure to credit or market risk.

Interest rate swaps represent an agreement between two counterparties to exchange cash flows based on the difference in the two interest rates, applied to the notional principal amount for a specified period. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Fund settles accrued net receivable or payable under the swap contracts on a periodic basis.

The Fund records changes in the value of the swap as unrealized gains or losses on swap contracts. Net periodic payments accrued but not yet received (paid) are included in change in the unrealized appreciation/depreciation. Accrued interest income and interest expense on the swap contracts are recorded as realized gain (loss).

Swap contracts are subject to risks related to the counterparty's ability to perform under the contract, and may decline in value if the counterparty's creditworthiness deteriorates. The risks may arise from unanticipated movement in interest rates. The Fund may also suffer losses if it is unable to terminate outstanding swap contracts or reduce its exposure through offsetting transactions.

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 $895,650 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 carry-forward expires July 31, 2016. Net capital losses of $20,513,634 that are attributable to security transactions incurred after October 31, 2007, are treated as arising on August 1, 2008, the first day of the Fund's next taxable year.

The Fund has adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109 (FIN 48), at the beginning of the Fund's fiscal year. FIN 48 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. The implementation of FIN 48 did not have a material impact on the Fund's financial statements. Each of the Fund's federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

Risks associated with foreign investments

Investing in securities issued by companies whose principal business activities are outside the United States may involve significant risks not present in domestic investments. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, limitation on the removal of funds or other assets of the Fund, political or financial instability or diplomatic and other developments which could affect such investments. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of

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foreign securities markets, broker-dealers and issuers than in the United States.

New accounting pronouncement

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, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of July 31, 2008, management does not believe the adoption of FAS 157 will have a material impact on the amounts reported in the financial statements.

In March 2008, FASB No. 161 (FAS 161), *Disclosures about Derivative Instruments and Hedging Activities*, an amendment of FASB Statement No. 133 (FAS 133), was issued and is effective for fiscal years beginning after November 15, 2008. FAS 161 amends and expands the disclosure requirements of FAS 133 in order to provide financial statement users an understanding of a company's use of derivative instruments, how derivative instruments are accounted for under FAS 133 and related interpretations and how these instruments affect a company's financial position, performance, and cash flows. FAS 161 requires companies to disclose information detailing the objectives and strategies for using derivative instruments, the level of derivative activity entered into by the company, and any credit risk-related contingent features of the agreements. Management is currently evaluating the adoption of FAS 161 on the Fund's financial statement disclosures.

Distribution of income and gains

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 July 31, 2007, the tax character of distributions paid was as follows: ordinary income $64,184,566 and long-term capital gain $3,360,268. During the year ended July 31, 2008, the tax character of distributions paid was as follows: ordinary income $58,898,761 and long-term capital gain $3,947,882. The tax character of the long-term capital gain distribution is proportionally shared between the common and preferred shareholders of the Fund.

As of July 31, 2008, the components of distributable earnings on a tax basis included $844,118 of undistributed ordinary income.

Such distributions and distributable earnings, 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.

Capital accounts within financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences will reverse in a subsequent period. Permanent book/ tax differences are primarily attributable to reclassifying short-term gain distribution paid from ordinary income, derivative transactions, amortization and accretion on debt securities and non-deductible excise tax paid.

Note 3

Management fee and transactions with affiliates and others

The Fund has an investment management contract with John Hancock Advisers, LLC (the Adviser), a wholly owned subsidiary of the John Hancock Financial Services, Inc., a subsidiary of Manulife Financial Corporation (MFC). Under the investment management contract, the Fund pays a daily management fee to the Adviser at an annual rate of 0.75% of the Funds average daily net asset value and the value attributable to the Auction Preferred Shares (APS) or committed facility agreement (see Note 5) (collectively, managed assets). The Fund has a subadvisory agreement with MFC Global Investment Management (U.S.), LLC, a subsidiary of John Hancock Financial Services, Inc. The Fund is not responsible for payment of subadvisory fees.

The Adviser has contractually agreed to limit the Funds management fee, on an annual basis, to the following: 0.55% of the Funds average daily managed assets until the fifth anniversary of the commencement of the Funds operations, 0.60% of such assets in the sixth year, 0.65%

of such assets in the seventh year and 0.70% of average daily managed assets in the eighth year Accordingly, the expense reductions related to the reduction in management fees amounted to $1,250,582 for the period ended July 31, 2008 The effective rate for the period ended July 31, 2008 is 0.59% of the Funds managed assets. After the eighth year, the Adviser will no longer waive a portion of the management fee.

The Fund has an agreement with the Adviser and affiliates to perform necessary tax, accounting, compliance, legal and other administrative services for the Fund. The com pensation for the period amounted to $98,242 with an effective rate of 0.01% of the Funds managed assets.

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 Funds deferred compensation liability are recorded on the Funds 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 NYSEs listing standards. The Fund also files with the Securities and Exchange Commission (SEC) the certification of its chief executive officer and chief financial officer required by Section 302 of the Sarbanes-Oxley Act.

Note 4

Transactions in common shares

The Fund is authorized to issue an unlimited number of common shares with no par value per share. This listing illustrates the Funds distributions reinvested, reclassification of the Funds capital accounts and the number of common shares outstanding at the beginning and end of the years ended July 31, 2007, and July 31, 2008, along with the corresponding dollar value.

	Year ended 7-31-07		Year ended 7-31-08	
	Shares	**Amount**	**Shares**	**Amount**
Beginning of period	25,732,207	$610,159,568	25,807,938	$611,606,906
Distributions reinvested	75,731	1,862,756	18,226	360,205
Reclassification of capital accounts		(415,418)		565,476

End of period	**25,807,938**	**$611,606,906**	**25,826,164**	**$612,532,587**

Note 5
Leverage

The Fund utilizes a credit facility to increase its assets available for investment. In prior fiscal periods, the Fund used Auction Preferred Shares (APS) for leverage. When the Fund leverages its assets, common shareholders pay all fees associated with and have the potential to benefit from leverage. Consequently, the Fund and the Adviser may have differing interests in determining whether to leverage the Funds assets. Leverage creates risks which may adversely affect the return for the holders of common shares, including:

 the likelihood of greater volatility of ne tasset value and market price of common shares

 fluctuations in the interest rate paid for the use of the credit facility

 increased operating costs,which may reduce the Funds total return to the holders of common shares

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

 the fund is more likely to have to sell securities in a volatile market in order to meet asset coverage or other debt compliance requirements

To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Funds return will be greater than if leverage had not been used and, conversely, return would be lower if the cost of the leverage exceeds the income or capital appreciation derived.

Effective May 2, 2008, the Funds Trustees approved a plan whereby the Funds form of leverage has changed from APS to a Committed Facility Agreement (the CFA). A third party commercial bank has agreed to provide this credit facility that enabled the refinancing of the Funds APS to debt. The redemption of all series was completed on May 28, 2008. Below is a comparison of the leverage methods utilized by the Fund:

	APS	CFA
Required Asset Coverage	200%	300%
Maximum Leverage Amount	$280 million	$255 million
Costs Associated with Leverage	Dividends paid to preferred shareholders (maximum rate equals the overnight commercial paper rate plus 1.25%)	Interest expense (overnight LIBOR plus 0.70%)
	APS auction fees	Arrangement fee*
	Auction agent expenses	Commitment fees (0.60% of the unused portion of the CFA)

Preferred share transfer agent
expenses

*Arrangement fee is $637,500 amortized over the first 270 days of the CFA.

APS auction fees and auction agent expenses and interest expense, arrangement fees and commitment fees are included in APS auction fees and interest expense, respectively, in the Statement of Operations. See notes 6 and 7 for further details of the APS and CFA, respectively.

Note 6
Auction preferred shares

The Fund issued a total of 11,200 Auction Preferred Shares (2,240 shares of Series M, 2,240 shares of Series T, 2,240 shares of Series W, 2,240 shares of Series TH and 2,240 shares of Series F) on October 23, 2002, in a public offering. The underwriting discount and offering costs were recorded as a reduction of the capital paid-in of common shares.

Dividends on the APS, which accrued daily, are cumulative at a rate that was established at the offering of the APS and had been reset every seven days thereafter by an auction. During the year ended July 31, 2008, dividend rates on APS ranged as follows: Series M from 3.52% to 6.50%, Series T from 3.49% to 6.50%, Series W from 3.56% to 6.35%, Series TH from 3.42% to 6.50% and Series F from 3.47% to 6.30%. From June 1, 2007 to February 13, 2008, APS of the Fund were successfully remarketed at each remarketing date. All remarketing efforts of APS shares occurring after February 13, 2008 were not successful. As a result, the dividend rates for all series were reset to the maximum, which ranged from 3.40% to 4.35%. The redemption of the APS was completed on May 28, 2008.

Note 7
Committed facility agreement

Effective May 7, 2008, the Fund entered into the CFA with a third party commercial bank that allows it to borrow up to an initial limit of $255 million and to invest the borrowings in accordance with its investment practices. Borrowings under the CFA are secured by the assets of the Fund as disclosed in the Schedule of Investments. Interest is charged at the overnight LIBOR rate plus 0.70% and is payable monthly. Under the terms of the CFA, the Fund also pays an arrangement fee of 0.25% in the first year of the agreement on the committed financing and commitment fees of 0.60% per annum on the unused portion of the facility. Arrangement and commitment fees for the year ended July 31, 2008 totaled $198,333 and $50,723, respectively, and are included in interest expense in the Statement of Operations. As of July 31, 2008, the Fund had borrowings of $223,000,000 at an interest rate of 3.0225% and is reflected in the committed facility agreement payable on the Statement of Asset and Liabilities. For the period from May 22, 2008 to July 31, 2008, the average borrowings under the CFA and the average interest rate (annualized) were $237,276,056 and 3.545%, respectively. The Fund may reduce or terminate the amount of the CFA with 270 days notice to the lender. Also, the CFA may be in default and result in termination if certain asset coverage and collateral requirements or minimum net asset amounts are not met. Finally, the Fund may terminate the agreement with 60 days notice if the Board of Trustees has determined that the elimination of all indebtedness leveraging the Fund's investments are in the best interests of the Fund's shareholders. In addition, included in interest expense on the Statement of Operations, was $673 of interest expense related to overdrafts.

Note 8
Purchase and sale of securities

Purchases and proceeds from sales or maturities of securities, other than short-term securities and obligations of the U.S. government, during the year ended July 31, 2008, aggregated $83,137,814 and $146,388,950, respectively.

Note 9
Subsequent event

The Fund, subsequent to July 31, 2008, experienced significant asset depreciation due to market events resulting in a 22.5% drop in net assets from $472.1 million as of July 31, 2008 to $365.8 million as of September 22, 2008. As a result of this decrease in net assets, the Fund has reduced outstanding senior debt by $23.5 million since July 31, 2008.

Auditors report

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of the John Hancock Preferred Income Fund,

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the John Hancock Preferred Income Fund (the Fund) at July 31, 2008, and the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Funds management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at July 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The financial highlights for each of the periods ended on or before July 31, 2005 were audited by another independent registered public accounting firm, whose report expressed an unqualified opinion thereon.

PricewaterhouseCoopers LLP
Boston, Massachusetts
September 22, 2008

Tax information

Unaudited

For federal income tax purposes, the following information is furnished with respect to the distributions of the Fund, if any, paid during its taxable year ended July 31, 2008.

The Fund has designated distributions to shareholders of $3,947,882 as a long-term capital gain dividend.

With respect to the ordinary dividends paid by the Fund for the fiscal year ended July 31, 2008, 42.63% of the dividends qualifies for the corporate dividends-received deduction.

The Fund hereby designates the maximum amount allowable of its net taxable income as qualified dividend income as provided in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This amount will be reflected on Form 1099-DIV for the calendar year 2008.

Shareholders will be mailed a 2008 U.S. Treasury Department Form 1099-DIV in January 2009. This will reflect the total of all distributions that are taxable for calendar year 2008.

Investment objective and policy

The Fund's primary objective is to provide a high level of current income, consistent with preservation of capital. The Fund's secondary objective is to provide growth of capital to the extent consistent with its primary objective. The Fund seeks to achieve its objectives by investing in a diversified portfolio of securities that, in the opinion of the Adviser, may be undervalued relative to similar securities in the marketplace.

Under normal market conditions, the Fund invests at least: (a) 80% of its assets in preferred stocks and other preferred securities, including convertible preferred securities, (b) 25% of its total assets in the industries comprising the utilities sector and (c) 80% of its total assets in preferred securities or other fixed-income securities, that are rated investment grade or higher by Moody's or Standard & Poor's at the time of investment. "Assets" are defined as net assets, including the liquidation preference of APS, plus borrowing for investment purposes.

Bylaws

On December 16, 2003, the Trustees approved the following change to the Fund's bylaws. The auction preferred shares section of the Fund's bylaws was changed to update the rating agency requirements in keeping with recent changes to the agencies' basic maintenance reporting requirements for leveraged closed-end funds. Bylaws now require an independent accountants' confirmation only once per year, at the Fund's fiscal year end, and changes to the agencies' basic maintenance reporting requirements that include modifications to the eligible assets and their respective discount factors. These revisions bring the Fund's bylaws in line with current rating agency requirements.

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.

Dividends and distributions

During the period ended July 31, 2008, dividends from net investment income totaling $1.86 and distributions from capital gains totaling $0.1530 per share were paid to common shareholders. The dates of payments and amounts per share are as follows:

PAYMENT DATE	INCOME DIVIDEND
August 31, 2007	$0.1550
September 28, 2007	0.1550
October 31, 2007	0.1550
November 30, 2007	0.1550
December 31, 2007	0.1550

January 31, 2008	0.1550
February 29, 2008	0.1550
March 31, 2008	0.1550
April 30, 2008	0.1550
May 31, 2008	0.1550
June 30, 2008	0.1550
July 31, 2008	0.1550
Total	$1.86

PAYMENT DATE	CAPITAL GAIN DISTRIBUTION
December 31, 2007	$0.1530

Dividend reinvestment plan

The Fund offers its shareholders a Dividend Reinvestment Plan (the Plan), which offers the opportunity to earn compounded yields. Each holder of common shares will automatically have all distributions of dividends and capital gains reinvested by Mellon Investor Services, as Plan Agent for the common shareholders (the Plan Agent), unless an election is made to receive cash. Holders of common shares who elect not to participate in the Plan will receive all distributions in cash, paid by check and mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend-disbursing agent. Shareholders whose shares are held in the name of a broker or a nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

If the Fund declares a dividend payable either in common shares or in cash, non-participants will receive cash and participants in the Plan will receive the equivalent in common shares. If the market price of the common shares on the payment date of the dividend is equal to, or exceeds, their net asset value as determined on the payment date, participants will be issued common shares (out of authorized but unissued shares) at a value equal to the higher of net asset

value or 95% of the market price. If the net asset value exceeds the market price of the common shares at such time, or if the Board of Trustees declares a dividend payable only in cash, the Plan Agent will, as agent for Plan participants, buy shares in the open market, on the New York Stock Exchange or elsewhere, for the participants accounts. Such purchases will be made promptly after the payable date for such dividend and, in any event, prior to the next ex-dividend date after such date, except where necessary to comply with federal securities laws. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the common shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the common shares, resulting in the acquisition of fewer shares than if the dividend had been paid in shares issued by the Fund.

Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agents open market purchases in connection with the reinvestment of dividends and distributions. The cost per share of the shares purchased for each participants account will be the average cost, including brokerage commissions, of any shares purchased on the open market, plus the cost of any shares issued by the Fund. There will be no brokerage charges with respect to common shares issued directly by the Fund. There are no other charges to participants for reinvesting dividends or capital gain distributions.

Participants in the Plan may withdraw from the Plan at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agents Web site at www.melloninvestor.com. Such withdrawal will be effective immediately if received not less than 10 days prior to a dividend record date; otherwise, it will be effective for all subsequent dividend record dates.

When a participant withdraws from the Plan or upon termination of the Plan, as provided below, certificates for whole common shares credited to his or her account under the Plan will be issued, and a cash payment will be made for any fraction of a share credited to such account.

The Plan Agent maintains each shareholder's account in the Plan and furnishes monthly written confirmations of all transactions in the accounts, including information needed by the shareholders for personal and tax records. The Plan Agent will hold common shares in the account of each Plan participant in non-certificated form in the name of the participant. Proxy material relating to the shareholders' meetings of the Fund will include those shares purchased, as well as shares held pursuant to the Plan.

The reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable or required to be withheld on such dividends or distributions. Participants under the Plan will receive tax information annually. The amount of dividends to be reported on the 1099-DIV should be: (1) in the case of shares issued by the Fund, the fair market value of such shares on the dividend payment date and (2) in the case of shares purchased by the Plan Agent in the open market, the amount of cash used by the Plan Agent to purchase shares in the open market, including the amount of cash allocated to brokerage commissions paid on such purchases.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all shareholders of the Fund at least 90 days before the record date for the dividend or distribution. The Plan may be amended or terminated by the Plan Agent after at least 90 days' written notice to all shareholders of the Fund. 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, NJ 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 31, 2008, the Annual Meeting of the Fund was held to elect three Trustees.

Proxies covering 23,524,968 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 (there were no current nominees for election by the preferred shareholders), with votes tabulated as follows:

	FOR	WITHHELD AUTHORITY
James F. Carlin	23,149,438	366,032

William H. Cunningham	23,143,909	371,561

The preferred shareholders elected John A. Moore as a Trustee of the Fund until his successor is duly elected and qualified, with the votes tabulated as follows: 9,400 FOR and 97 ABSTAINING.

Board Consideration of and Continuation of Investment Advisory Agreement and Subadvisory Agreement: John Hancock Preferred Income Fund

The Investment Company Act of 1940 (the 1940 Act) requires the Board of Trustees (the Board) of John Hancock Preferred Income Fund (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) 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 56 and June 910, 2008, 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 Boards 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 its Independent Trustees, reviewed a broad range of information requested for this purpose. This information included: (i) the investment performance of the Fund and a peer group of comparable funds (the Peer Group). The funds within the Peer Group were selected by Morningstar Inc. (Morningstar), an independent provider of investment company data. Data covered a range of periods ended December 31, 2007,[1] (ii) advisory and other fees incurred by, and the expense ratios of, the Fund relative to a Peer Group, (iii) the Advisers financial results and condition, including its and certain of its affiliates profitability from services performed for the Fund, (iv) breakpoints in the Funds and the Peer Groups fees and information about economies of scale, (v) the Advisers and Subadvisers record of compliance with applicable laws and regulations, with the Funds investment policies and restrictions, and with the applicable Code of Ethics, and the structure and responsibilities of the Advisers and Subadvisers compliance department, (vi) the background and experience of senior management and investment professionals, and (vii) 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 Boards 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. The Board principally considered data on performance and other information provided by Morningstar as of December 31, 2007. The Board also considered updated performance information provided to it by the Adviser or Subadviser at its May and June 2008 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 considered the Advisers execution of its oversight responsibilities. 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 administrative and

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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, 2007. The Board also considered these results in comparison to the performance of the Peer Group, as well as the Fund's benchmark indices. The Board reviewed with representatives of Morningstar the methodology used by Morningstar to select the funds in the Peer Group. The Board noted the imperfect comparability of the Peer Group and that Morningstar was not able to select a comparative Category for the Fund.

The Board noted that the Fund's performance during the 1- and 3-year periods was higher than the performance of the median of the Peer Group and the Merrill Lynch Preferred Stock Hybrid Securities Index, and lower than the performance of its other benchmark index, the Lehman Brothers US Aggregate Bond Index. The Board viewed favorably that the Fund's performance during the 5-year period was higher than the performance of the Peer Group median and the performance of both benchmark indices.

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 Peer Group. The Board noted that the Advisory Agreement Rate was lower than the median rate of the Peer Group.

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 (Gross Expense Ratio) and total operating expense ratio after taking the fee waiver arrangement applicable to the Advisory Agreement Rate into account (Net Expense Ratio). The Board received and considered information comparing the Gross Expense Ratio and Net Expense Ratio of the Fund to that of the Peer Group. The Board noted that the Fund's Gross Expense Ratio was lower than, and the Net Expense Ratio was equal to, the median of the Peer Group.

The Adviser also discussed the Morningstar data and rankings, and other relevant information, for the Fund. Based on the above-referenced considerations and other factors, the Board concluded that the Fund's overall performance and expenses 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 sub-advisory services. The Board concluded 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 observed that the Advisory Agreements did not offer 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, including the Subadviser, as a result of their relationship with the Fund. Such benefits could include, among others, benefits directly attributable to the relationship of the Adviser and Subadviser with the Fund and benefits potentially derived from an increase in business as a result of their 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.

[1] Morningstar also provided a comparative analysis for most, but not all, of the John Hancock Funds of the investment performance and advisory and other fees incurred by, and the expense ratios of, the John Hancock Funds relative to a category of relevant funds (the Category). Morningstar was not able to select a comparative Category for the John Hancock Preferred Income Fund. Therefore, Morningstar did not provide such an analysis.

Information about the portfolio managers

Management Biographies and Fund ownership

Below is a list of the portfolio managers who share joint responsibility for the day-to-day investment management of the Fund. It provides a brief summary of their business careers over the past five years and their range of beneficial share ownership in the Fund as of July 31, 2008.

Gregory K. Phelps
Senior Vice President, MFC Global Investment Management (U.S.), LLC since 2005
Senior Vice President, John Hancock Advisers, LLC (1995–2005)
Began business career in 1981
Joined fund team in 2002 (inception)
Fund ownership — $1–$10,000

Mark T. Maloney
Vice President, MFC Global Investment Management (U.S.), LLC since 2005
Vice President, John Hancock Advisers, LLC (1982–2005)
Began business career in 1976
Joined fund team in 2002 (inception)
Fund ownership — $1–$10,000

Other Accounts the Portfolio Managers are Managing

The table below indicates for each portfolio manager information about the accounts over which the portfolio manager has day-to-day investment responsibility. All information on the number of accounts and total assets in the table is as of July 31, 2008. For purposes of the table, “Other Pooled Investment Vehicles” may include investment partnerships and group trusts, and “Other Accounts” may include separate accounts for institutions or individuals, insurance company general or separate accounts, pension funds and other similar institutional accounts.

PORTFOLIO MANAGER	OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS
Gregory K. Phelps	Other Investment Companies: 4 funds with assets of approximately $3.2 billion. Other Pooled Investment Vehicles: None Other Accounts: None
Mark T. Maloney	Other Investment Companies: 4 funds with assets of approximately $3.2 billion. Other Pooled Investment Vehicles: None Other Accounts: None

The Adviser does not receive a fee based upon the investment performance of any of the accounts included under “Other Accounts Managed by the Portfolio Managers” in the table above.

When a portfolio manager is responsible for the management of more than one account, the potential arises for the portfolio manager to favor one account over another. For the reasons outlined below, the Fund does not believe that any material conflicts are likely to arise out of a portfolio manager’s responsibility for the management of the Fund as well as one or more other accounts. The Adviser and the Subadviser have adopted procedures, overseen by the Chief Compliance Officer, that are intended to monitor compliance with the policies referred to in the following paragraphs.

- The Subadviser has policies that require a portfolio manager to allocate investment opportunities in an equitable manner and generally to allocate such investments proportionately among all accounts with similar investment objectives.

- When a portfolio manager intends to trade the same security for more than one account, the policies of the Subadviser generally require that such trades for the individual accounts are aggregated so each account receives the same price. Where not possible or may not result in the best possible price, the Subadviser will place the order in a manner intended to result in as favorable a price as possible for such client.

- The investment performance on specific accounts is not a factor in determining the portfolio manager's compensation. See "Compensation of Portfolio Managers" below. Neither the Adviser nor the Subadviser receives a performance-based fee with respect to other accounts managed by the Fund's portfolio managers.

- The Subadviser imposes certain trading restrictions and reporting requirements for accounts in which a portfolio manager or certain family members have a personal interest in order to confirm that such accounts are not favored over other accounts.

- The Subadviser seeks to avoid portfolio manager assignments with potentially conflicting situations. However, where a portfolio manager is responsible for accounts with differing investment objectives and policies, it is possible that the portfolio manager will conclude that it is in the best interest of one account to sell a portfolio security while another account continues to hold or increase the holding in such security.

Compensation of Portfolio Managers

The Subadviser has adopted a system of compensation for portfolio managers and others involved in the investment process that is applied consistently among investment professionals. At the Subadviser, the structure of compensation of investment professionals is currently composed of the following basic components: fixed base salary, and an annual investment bonus plan, as well as customary benefits that are offered generally to all full-time employees of the Subadviser. A limited number of senior investment professionals, who serve as officers of both the Subadviser and its parent company, may also receive options or restricted stock grants of common shares of Manulife Financial.

Only investment professionals are eligible to participate in the Investment Bonus Plan on an annual basis. While the amount of any bonus is discretionary, the following factors are generally used in determining bonuses: 1) The investment performance of all accounts managed by the investment professional over one-, three- and five-year periods are considered. The pre-tax performance of each account is measured relative to an appropriate peer group benchmark. 2) The profitability of the Subadviser and its parent company are also considered in determining bonus awards, with greater emphasis placed upon the profitability of the Adviser. 3) The more intangible contributions of an investment professional to the Subadviser's business, including the investment professional's support of sales activities, new fund/strategy idea generation, professional growth and development, and management, where applicable, are evaluating in determining the amount of any bonus award.

While the profitability of the Subadviser and the investment performance of the accounts that the investment professionals maintain are factors in determining an investment professional's overall compensation, the investment professional's compensation is not linked directly to the net asset value of any fund.

Trustees and Officers

This chart provides information about the Trustees and Officers who oversee your John Hancock fund. Officers elected by the Trustees manage the day-to-day operations of the Fund and execute policies formulated by the Trustees.

Independent Trustees

Name, Year of Birth ***Position(s) held with Fund*** **Principal occupation(s) and other directorships during past 5 years**	**Trustee of Fund since[1]**	**Number of John Hancock funds overseen by Trustee**
James F. Carlin, Born: 1940	2002	54
Chairman (since December 2007); Director and Treasurer, Alpha Analytical Laboratories, Inc. (chemical analysis) (since 1985); Part Owner and Treasurer, Lawrence Carlin Insurance Agency, Inc. (since 1995); Part Owner and Vice President, Mone Lawrence Carlin Insurance Agency, Inc. (until 2005); Chairman and Chief Executive Officer, Carlin Consolidated, Inc. (management/investments) (since 1987); Trustee, Massachusetts Health and Education Tax Exempt Trust (1993–2003).		
William H. Cunningham, Born: 1944	2002	54
Professor, University of Texas at Austin (since 1971); former Chancellor, University of Texas System and former President, University of Texas at Austin (until 2001); Chairman and Chief Executive Officer, IBT Technologies (until 2001); Director of the following: Hicks Acquisition Company I, Inc. (since 2007), Hire.com (until 2004), STC Broadcasting, Inc. and Sunrise Television Corp. (until 2001), Symtx, Inc. (electronic manufacturing) (since 2001), Adorno/Rogers Technology, Inc. (until 2004), Pinnacle Foods Corporation (until 2003), rateGenius (until 2003), Lincoln National Corporation (insurance) (since 2006), Jefferson-Pilot Corporation (diversified life insurance company) (until 2006), New Century Equity Holdings (formerly Billing Concepts) (until 2001), eCertain (until 2001), ClassMap.com (until 2001), Agile Ventures (until 2001), AskRed.com (until 2001), Southwest Airlines (since 2000), Introgen (manufacturer of biopharmaceuticals) (since 2000) and Viasystems Group, Inc. (electronic manufacturer) (until 2003); Advisory Director, Interactive Bridge, Inc. (college fundraising) (until 2001); Advisory Director, Q Investments (until 2003); Advisory Director, JPMorgan Chase Bank (formerly Texas Commerce Bank–Austin), LIN Television (until 2008), WilTel Communications (until 2003) and Hayes Lemmerz International, Inc. (diversified automotive parts supply company) (since 2003).		
Deborah C. Jackson,[4] Born: 1952	2008	54
Chief Executive Officer, American Red Cross of Massachusetts Bay (2002–present); Board of Directors of Eastern Bank Corporation (2001–present); Board of Directors of Eastern Bank Charitable Foundation (2001–present); Board of Directors of American Student Association Corp. (1996–present); Board of Directors of Boston Stock Exchange (2002–2008); Board of Directors of Harvard Pilgrim Healthcare (2007–present).		
Charles L. Ladner,[2] Born: 1938	2002	54

Chairman and Trustee, Dunwoody Village, Inc. (retirement services) (until 2003); Senior Vice President and Chief Financial Officer, UGI Corporation (public utility holding company) (retired 1998); Vice President and Director, AmeriGas, Inc. (retired 1998); Director, AmeriGas Partners, L.P. (gas distribution) (until 1997); Director, EnergyNorth, Inc. (until 1997); Director, Parks and History Association (until 2005).

Independent Trustees (continued)

Name, Year of Birth ***Position(s) held with Fund*** **Principal occupation(s) and other directorships during past 5 years**	**Trustee of Fund since[1]**	**Number of John Hancock funds overseen by Trustee**
Stanley Martin,[2,4] Born: 1947	2008	54
Senior Vice President/Audit Executive, Federal Home Loan Mortgage Corporation (2004–2006); Executive Vice President/Consultant, HSBC Bank USA (2000–2003); Chief Financial Officer/Executive Vice President, Republic New York Corporation and Republic National Bank of New York (1998–2000); Partner, KPMG LLP (1971–1998).		
Dr. John A. Moore,[2] Born: 1939	2002	54
President and Chief Executive Officer, Institute for Evaluating Health Risks (nonprofit institution) (until 2001); Senior Scientist, Sciences International (health research) (until 2003); Former Assistant Administrator and Deputy Administrator, Environmental Protection Agency; Principal, Hollyhouse (consulting) (since 2000); Director, CIIT Center for Health Science Research (nonprofit research) (until 2007).		
Patti McGill Peterson,[2] Born: 1943	2002	54
Senior Associate, Institute for Higher Education Policy (since 2007); Executive Director, Council for International Exchange of Scholars and Vice President, Institute of International Education (until 2007); Senior Fellow, Cornell Institute of Public Affairs, Cornell University, Ithaca, NY (until 1998); Former President, Wells College, Aurora, NY, and St. Lawrence University, Canton, NY; Director, Niagara Mohawk Power Corporation (until 2003); Director, Ford Foundation, International Fellowships Program (since 2002); Director, Lois Roth Endowment (since 2002); Director, Council for International Educational Exchange (since 2003).		
Steven R. Pruchansky, Born: 1944	2002	54
Chairman and Chief Executive Officer, Greenscapes of Southwest Florida, Inc. (since 2000); Director and President, Greenscapes of Southwest Florida, Inc. (until 2000); Member, Board of Advisors, First American Bank (since 2008); Managing Director, JonJames, LLC (real estate) (since 2000); Director, First		

Signature Bank & Trust Company (until 1991); Director, Mast Realty Trust (until 1994); President, Maxwell
Building Corp. (until 1991).

Gregory A. Russo,[2,4] Born: 1949	2008	22

Vice Chairman, Risk & Regulatory Matters, KPMG LLP (KPMG) (2002–2006); Vice Chairman, Industrial Markets, KPMG (1998–2002).

Non-Independent Trustees3

Name, Year of Birth ***Position(s) held with Fund*** **Principal occupation(s) and other directorships during past 5 years**	**Trustee of Fund since**[1]	**Number of John Hancock funds overseen by Trustee**
James R. Boyle, Born: 1959	2005	258

Executive Vice President, Manulife Financial Corporation (since 1999); Director and President, John Hancock Variable Life Insurance Company (since March 2007); Director and Executive Vice President, John Hancock Life Insurance Company (since 2004); Chairman and Director, John Hancock Advisers, LLC
(the Adviser), John Hancock Funds, LLC (John Hancock Funds) and The Berkeley Financial Group, LLC (The Berkeley Group) (holding company) (since 2005); Chairman and Director, John Hancock Investment
Management Services, LLC (since 2006); Senior Vice President, The Manufacturers Life Insurance Company (U.S.A.) (until 2004).

Principal officers who are not Trustees

Name, Year of Birth ***Position(s) held with Fund*** **Principal occupation(s) and other directorships during past 5 years**	**Officer of Fund since**
Keith F. Hartstein, Born: 1956	2005

President and Chief Executive Officer
Senior Vice President, Manulife Financial Corporation (since 2004); Director, President and Chief Executive Officer, the Adviser, The Berkeley Group and John Hancock Funds, LLC (since 2005); Director, MFC Global Investment Management (U.S.), LLC (MFC Global (U.S.)) (since 2005); Chairman and Director, John Hancock Signature Services, Inc. (since 2005); Director, President and Chief Executive Officer, John Hancock Investment Management Services, LLC (since 2006); President and Chief Executive Officer, John Hancock Funds, John Hancock Funds II, John Hancock Funds III and John Hancock Trust (since 2005); Director, Chairman and President, NM Capital Management, Inc. (since 2005); Member and former Chairman, Investment Company Institute Sales Force Marketing Committee (since 2003); President and Chief Executive Officer, MFC Global (U.S.) (2005–2006); Executive Vice President, John

Hancock Funds, LLC (until 2005).

Thomas M. Kinzler, Born: 1955 — 2006

Secretary and Chief Legal Officer
Vice President and Counsel, John Hancock Life Insurance Company (U.S.A.) (since 2006); Secretary and Chief Legal Officer, John Hancock Funds, John Hancock Funds II and John Hancock Trust (since 2006); Vice President and Associate General Counsel, Massachusetts Mutual Life Insurance Company (1999–2006); Secretary and Chief Legal Counsel, MML Series Investment Fund (2000–2006); Secretary and Chief Legal Counsel, MassMutual Institutional Funds (2000–2004); Secretary and Chief Legal Counsel, MassMutual Select Funds and MassMutual Premier Funds (2004–2006).

Francis V. Knox, Jr., Born: 1947 — 2005

Chief Compliance Officer
Vice President and Chief Compliance Officer, John Hancock Investment Management Services, LLC, the Adviser and MFC Global (U.S.) (since 2005); Vice President and Chief Compliance Officer, John Hancock Funds, John Hancock Funds II, John Hancock Funds III and John Hancock Trust (since 2005); Vice President and Assistant Treasurer, Fidelity Group of Funds (until 2004); Vice President and Ethics & Compliance Officer, Fidelity Investments (until 2001).

Principal officers who are not Trustees (continued)

Name, Year of Birth ***Position(s) held with Fund*** **Principal occupation(s) and other directorships during past 5 years**	**Officer of Fund since**

Charles A. Rizzo, Born: 1957 — 2007

Chief Financial Officer
Chief Financial Officer, John Hancock Funds, John Hancock Funds II, John Hancock Funds III and John Hancock Trust (since June 2007); Assistant Treasurer, Goldman Sachs Mutual Fund Complex (registered investment companies) (2005–June 2007); Vice President, Goldman Sachs (2005–June 2007); Managing Director and Treasurer of Scudder Funds, Deutsche Asset Management (2003–2005); Director, Tax and Financial Reporting, Deutsche Asset Management (2002–2003); Vice President and Treasurer, Deutsche Global Fund Services (Deutsche Registered Investment Companies) (1999–2002).

Gordon M. Shone, Born: 1956 — 2006

Treasurer
Senior Vice President, John Hancock Life Insurance Company (U.S.A.) (since 2001); Treasurer, John Hancock Funds (since 2006), John Hancock Funds II, John Hancock Funds III and John Hancock Trust (since 2005); Vice President and Chief Financial Officer, John Hancock Trust (2003–2005); Vice President, John Hancock Investment Management Services, Inc., John Hancock Advisers, LLC (since 2006) and The Manufacturers Life Insurance Company (U.S.A.) (1998–2000).

John G. Vrysen, Born: 1955 2005

Chief Operating Officer
Senior Vice President, Manulife Financial Corporation (since 2006); Senior Vice President, John Hancock Life Insurance Company (since 2004); Director, Executive Vice President and Chief Operating Officer, the Adviser, The Berkeley Group and John Hancock Funds, LLC (since June 2007); Director, Executive Vice President and Chief Operating Officer, John Hancock Investment Management Services, LLC (since December 2007); Chief Operating Officer, John Hancock Funds, John Hancock Funds II, John Hancock Funds III and John Hancock Trust (since June 2007); Director, Executive Vice President and Chief Financial Officer, the Adviser, The Berkeley Group and John Hancock Funds, LLC (20052007); Director, Executive Vice President and Chief Financial Officer, John Hancock Investment Management Services, LLC (20052007); Executive Vice President and Chief Financial Officer, MFC Global (U.S.) (2005 until August 2007); Director, John Hancock Signature Services, Inc. (since 2005); Chief Financial Officer, John Hancock Funds, John Hancock Funds II, John Hancock Funds III and John Hancock Trust (2005 until June 2007); Vice President and General Manager, John Hancock Fixed Annuities, U.S. Wealth Management (20042005); Vice President, Operations, Manulife Wood Logan (20002004).

The business address for all Trustees and Officers is 601 Congress Street, Boston, Massachusetts 02210-2805.

The Statement of Additional Information of the Fund includes additional information about members of the Board of Trustees of the Fund and is available without charge, upon request, by calling 1-800-225-5291.

[1] Each Trustee serves until resignation, retirement age or until his or her successor is elected.

[2] Member of Audit and Compliance Committee.

[3] Non-Independent Trustee holds positions with the Funds investment adviser, underwriter and certain other affiliates.

[4] Mr. Martin and Mr. Russo were appointed by the Board as Trustees on September 8, 2008 and Ms. Jackson was appointed effective October 1, 2008.

For more information

The Funds proxy voting policies, procedures and records are available without charge, upon request:

By phone
1-800-225-5291

On the Funds Web site
www.jhfunds.com/proxy

On the SECs Web site
www.sec.gov

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

Subadviser
MFC Global Investment

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

Legal counsel

Independent registered public accounting firm
PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110

Stock symbol

Management (U.S.), LLC
101 Huntington Avenue
Boston, MA 02199

K&L Gates LLP
One Lincoln Street
Boston, MA 02111-2950

Listed New York Stock
Exchange: HPI

For shareholder assistance refer to page 29.

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

How to contact us

Internet	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
	24-hour automated information	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. 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.

1-800-852-0218
1-800-231-5469 TDD
1-800-843-0090 EASI-Line
www.jhfunds.com

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9/08

ITEM 2. CODE OF ETHICS.

As of the end of the period, July 31, 2008, 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.

Charles L. Ladner is the audit committee financial expert and is "independent", pursuant to general instructions on Form N-CSR Item 3.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) Audit Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the audit of the registrant's annual financial statements or services that are normally provided by the accountant(s) in connection with statutory and regulatory filings or engagements amounted to $25,800 for the fiscal year ended July 31, 2008 and $25,800 for the fiscal year ended July 31, 2007. These fees were billed to the registrant and were approved by the registrant's audit committee.

(b) Audit-Related Services

Audit related fees billed to the registrant or to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant ("control affiliates") amounted to $8,645 for the fiscal year ended July 31, 2008. There were no audit-related fees during the fiscal year ended July 31, 2007.

(c) Tax Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the tax compliance, tax advice and tax planning ("tax fees") amounted to $3,700 for the fiscal year ended July 31, 2008 and $3,700 for the fiscal year ended July 31, 2007. The nature of the services comprising the tax fees was the review of the registrant's income tax returns and tax distribution requirements. These fees were billed to the registrant and were approved by the registrant's audit committee. There were no tax fees billed to the control affiliates.

(d) All Other Fees

The all other fees billed to the registrant for products and services provided by the principal accountant were $3,000 for the fiscal year ended July 31, 2008 and $3,000 for the fiscal year ended July 31, 2007. There were no other fees during the fiscal year ended July 31, 2008 and July 31, 2007 billed to control affiliates for products and services provided by the principal accountant. The nature of the services comprising the all other fees was related to the principal accountant's report on the registrant's Eligible Asset Coverage. These fees were approved by the registrant's audit committee.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The trust's Audit Committee must pre-approve all audit and non-audit services provided by the independent registered public accounting firm (the "Auditor") relating to the operations or financial reporting of the funds. Prior to the commencement of any audit or non-audit services to a fund, the Audit Committee reviews the services to determine whether they are appropriate and permissible under applicable law.

The trust's Audit Committee has adopted policies and procedures to, among other purposes, provide a framework for the Committee's consideration of audit-related and non-audit services by the Auditor. The policies and procedures require that any audit-related and non-audit service provided by the Auditor and any non-audit service provided by the Auditor to a fund service provider that relates directly to the operations and financial reporting of a fund are subject to approval by the Audit Committee before such service is provided. Audit-related services provided by the Auditor that are expected to exceed $25,000 per instance/per fund are subject to specific pre-approval by the Audit Committee. Tax services provided by the Auditor that are expected to exceed $30,000 per instance/per fund are subject to specific pre-approval by the Audit Committee.

All audit services, as well as the audit-related and non-audit services that are expected to exceed the amounts stated above, must be approved in advance of provision of the service by formal resolution of the Audit Committee. At the regularly scheduled Audit Committee meetings, the Committee reviews a report summarizing the services, including fees, provided by the Auditor.

(e)(2) Services approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X:

Audit-Related Fees, Tax Fees and All Other Fees:

There were no amounts that were approved by the Audit Committee pursuant to the de minimis exception under Rule 2-01 of Regulation S-X.

(f) According to the registrants principal accountant, for the fiscal year ended July 31, 2008, the percentage of hours spent on the audit of the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons who were not full-time, permanent employees of principal accountant was less than 50%.

(g) The aggregate non-audit fees billed by the registrant's accountant(s) for services rendered to the registrant and rendered to the registrant's control affiliates for each of the last two fiscal years of the registrant were $1,066,336 for the fiscal year ended July 31, 2008, and $3,264,859 for the fiscal year ended July 31, 2007.

(h) The audit committee of the registrant has considered the non-audit services provided by the registrants principal accountant(s) to the control affiliates and has determined that the services that were not pre-approved are compatible with maintaining the principal accountant(s)' independence.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately-designated standing audit committee comprised of independent trustees. The members of the audit committee are as follows:

Dr. John A. Moore - Chairman
Charles L. Ladner
Patti McGill Peterson

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.

Information about the portfolio managers

Management Biographies and Fund ownership

Below is an alphabetical list of the portfolio managers who share joint responsibility for the day-today investment management of the Fund. It provides a brief summary of their business careers over the past five years and their range of beneficial share ownership in the Fund as of July 31, 2008.

Gregory K. Phelps
Senior Vice President, MFC Global Investment Management (U.S.), LLC since 2005
Senior Vice President, John Hancock Advisers, LLC (19952005)
Began business career in 1981
Joined fund team in 2003 (inception)
Fund ownership $1$10,000

Mark T. Maloney
Vice President, MFC Global Investment Management (U.S.), LLC since 2005
Vice President, John Hancock Advisers, LLC (19822005)
Began business career in 1976
Joined fund team in 2003 (inception)
Fund ownership $1$10,000

Other Accounts the Portfolio Managers are Managing

The table below indicates for each portfolio manager information about the accounts over which the portfolio manager has day-to-day investment responsibility. All information on the number of accounts and total assets in the table is as of July 31, 2008. For purposes of the table, Other Pooled Investment Vehicles may include investment partnerships and group trusts, and Other Accounts may include separate accounts for institutions or individuals, insurance company general or separate accounts, pension funds and other similar institutional accounts.

PORTFOLIO MANAGER	OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS
Gregory K. Phelps	Other Investment Companies: 4 funds with assets of approximately $3.2 billion. Other Pooled Investment Vehicles: None Other Accounts: None
Mark T. Maloney	Other Investment Companies: 4 funds with assets of approximately $3.2 billion. Other Pooled Investment Vehicles: None Other Accounts: None

The Adviser does not receive a fee based upon the investment performance of any of the accounts included under Other Accounts Managed by the Portfolio Managers in the table above.

When a portfolio manager is responsible for the management of more than one account, the potential arises for the portfolio manager to favor one account over another. For the reasons outlined below, the Fund does not believe that any material conflicts are likely to arise out of a portfolio managers responsibility for the management of the Fund as well as one or more other accounts. The Adviser and the Subadviser have adopted procedures, overseen by the Chief Compliance Officer, that are intended to monitor compliance with the policies referred to in the following paragraphs.

 The Subadviser has policies that require a portfolio manager to allocate investment opportunities in an equitable manner and generally to allocate such investments proportionately among all accounts with similar investment objectives.

 When a portfolio manager intends to trade the same security for more than one account, the policies of the Subadviser generally require that such trades for the individual accounts are aggregated so each account receives the same price. Where not possible or may not result in the best possible price, the Subadviser will place the order in a manner intended to result in as favorable a price as possible for such client.

 The investment performance on specific accounts is not a factor in determining the portfolio managers compensation. See Compensation of Portfolio Managers below. Neither the Adviser nor the Subadviser receives a performance-based fee with respect to other accounts managed by the Funds portfolio managers.

 The Subadviser imposes certain trading restrictions and reporting requirements for accounts in which a portfolio manager or certain family members have a personal interest in order to confirm that such accounts are not favored over other accounts.

 The Subadviser seeks to avoid portfolio manager assignments with potentially conflicting situations. However, where a portfolio manager is responsible for accounts with differing investment objectives and policies, it is possible that the portfolio manager will conclude that it is in the best interest of one account to sell a portfolio security while another account continues to hold or increase the holding in such security.

Compensation of Portfolio Managers

The Subadviser has adopted a system of compensation for portfolio managers and others involved in the investment process that is applied consistently among investment professionals. At the Subadviser, the structure of compensation of investment professionals is currently composed of the following basic components: fixed base salary, and an annual investment bonus plan, as well as customary benefits that are offered generally to all full-time employees of the Subadviser. A limited number of senior investment professionals, who serve as officers of both the Subadviser and its parent company, may also receive options or restricted stock grants of common shares of Manulife Financial.

Only investment professionals are eligible to participate in the Investment Bonus Plan on an annual basis. While the amount of any bonus is discretionary, the following factors are generally used in determining bonuses: 1) The investment performance of all accounts managed by the investment professional over one-, three- and five-year periods are considered. The pre-tax performance of each account is measured relative to an appropriate peer group benchmark. 2) The profitability of the Subadviser and its parent company are also considered in determining bonus awards, with greater emphasis placed upon the profitability of the Adviser. 3) The more intangible contributions of an investment professional to the Subadvisers business, including the investment professionals support of sales activities, new fund/strategy idea generation, professional growth and development, and management, where applicable, are evaluating in determining the amount of any bonus award.

While the profitability of the Subadviser and the investment performance of the accounts that the investment professionals maintain are factors in determining an investment professionals overall compensation, the investment professionals compensation is not linked directly to the net asset value of any fund.

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.

(a) 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 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)(1) 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 "John Hancock Funds - Governance Committee Charter".

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

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 Preferred Income Fund

By: /s/ Keith F. Hartstein

Keith F. Hartstein
President and Chief Executive Officer

Date: September 19, 2008

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

Keith F. Hartstein
President and Chief Executive Officer

Date: September 19, 2008

By: /s/ Charles A. Rizzo

Charles A. Rizzo
Chief Financial Officer

Date: September 19, 2008