

BANCROFT FUND LTD.



2007 Annual Report
October 31, 2007

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Bancroft Fund Ltd. operates as a closed-end, diversified management investment company and invests primarily in convertible securities, with the objectives of providing income and the potential for capital appreciation; which objectives the Fund considers to be relatively equal, over the long-term, due to the nature of the securities in which it invests.

Highlights

Performance through October 31, 2007 *with dividends reinvested*

	Calendar	Annualized			10 Year
	YTD	1 Year	5 Years	10 Years	Volatility (c)
Bancroft market price	12.81%	18.27%	8.78%	7.69%	10.05%
Bancroft net asset value	11.72	14.53	9.91	6.43	9.22
Merrill Lynch All Convertibles Index (a)	10.11	12.72	13.22	7.76	15.10
S&P 500 Index (a)	10.87	14.56	13.86	7.09	16.35
Lehman Aggregate Bond Total Return Index (b)	4.78	5.38	4.41	5.91	3.98

(a) From Bloomberg L.P. pricing service.

(b) From Lipper, Inc. *Closed-End Fund Performance Analysis*, dated October 31, 2007.

(c) Volatility is a measure of risk based on the standard deviation of the return. The greater the volatility, the greater the chance of a profit or risk of a loss.

Bancroft's performance in the table above has not been adjusted for the fiscal 2004 rights offering; net asset value dilution was 2.38%. Performance data represent past results and do not reflect future performance.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices (AMEX, symbol BCV)		
	High	Low	Close	High	Low	Close
Jan. 07	\$22.98	\$22.24	\$22.70	\$19.84	\$19.06	\$19.80
Apr. 07	23.43	22.23	23.27	20.68	19.59	20.68
Jul. 07	24.19	23.24	23.25	21.80	20.65	20.95
Oct. 07	24.35	22.47	24.35	21.80	18.88	21.35

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total	* Corporate Deduction
12/01/06	12/26/06	\$0.265	\$0.466	\$0.731	16%
3/15/07	3/29/07	0.210	—	0.210	9
6/14/07	6/28/07	0.210	—	0.210	9
9/13/07	9/27/07	0.210	—	0.210	9
		<u>\$0.895</u>	<u>\$0.466</u>	<u>\$1.361</u>	

* Percentage of each ordinary income distribution qualifying for the corporate dividend received tax deduction.

To Our Shareholders

December 10, 2007

During 2007, the U.S. equity and debt markets have been increasingly affected by a dramatic rise in home mortgage defaults. We have seen a substantial increase in the volatility of these markets as many companies have had to report surprise write-downs of highly rated financial instruments due to poor underwriting practices and insufficient ratings analyses. In February and again in August, large drops in stock prices occurred while overall volatility levels, as measured by the Chicago Board Options Exchange Volatility Index (CBOE VIX), rose to levels rarely seen since 2001. If events continue to be driven by financial service related problems, the markets are likely to continue to be volatile, and otherwise well-managed companies may be hurt along with those more directly affected. This happened during the savings and loan crisis nearly two decades ago and it led many otherwise strong companies to issue convertible securities to fill their capital needs.

The convertible securities market continues to grow and provide opportunities for investment. Through November, U.S. convertible issuance has amounted to almost \$80 billion in the form of 175 new issues. The Citigroup Convertible Index grew to \$336.8 billion from under \$300 billion last December as new issuance continued to outpace redemptions and conversions. Hedge fund models continue to measure the overall convertible market as fairly valued, relative to the equities market. We believe that the convertible market continues to be an attractive one in which individual undervalued convertibles are available.

Fiscal year performance of the Fund was enhanced by its exposure to the minerals and mining, energy, and chemicals industries. Among the better performing issues in the portfolio were Freeport-McMoRan Copper & Gold Inc. (metals and mining), Cameron International Corp. (energy) and Celanese Corp. (chemicals). Performance was held back by exposure to the financial services, and the banking/savings and loan industries.

For the calendar year-to-date and one-year periods ended October 31, 2007, Bancroft's market return outperformed the Merrill Lynch All Convertibles Index (the "Index") while performing in-line for the ten-year period and underperforming for the five-year period. The Fund's net asset value (NAV), after adjustment for fund expenses (the index includes no expenses) and the fiscal 2004 rights offering, outperformed the Index over the calendar year-to-date, one and ten-year periods and was in-line for the five-year period. For that ten year-period, the Fund's NAV and market volatility, as measured by standard deviation, were lower than that of the Index. Many market professionals consider the volatility of past returns to be a useful approximation of the past levels of risk. A higher volatility level equates to a higher measure of risk, and thus the Fund's excellent results were achieved with less risk than that implied by the Index. This measure of historic results may not reflect future performance but we believe it is informative.

We are sad to report that our long-time director, Donald M. Halsted, Jr., passed away on November 20th. Mr. Halsted had been a director of the Fund since its founding in 1971 and had made great contributions to the Board's deliberations over the years. Our deepest sympathies go out to Mrs. Halsted and the rest of the family.

On October 31, 2007 board member Duncan O. McKee retired. Mr. McKee made invaluable contributions to the Fund, and we are grateful to him for his service to the Fund not only as a board member during the past two decades, but also as counsel to the Fund for an additional fifteen years before that. We will miss his presence.

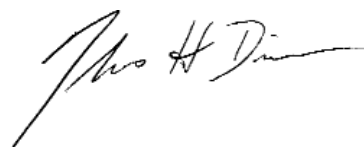
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To Our Shareholders (continued)

Effective October 1, 2007, board member Robert J. McMullan resigned due to personal and professional time commitments. The Board thanks Mr. McMullan for his contributions to the Fund and wishes him success in his other business endeavors.

At its November 19, 2007 meeting, the Board of Trustees declared a distribution of \$2.175 per share. The distribution consists of \$0.166 undistributed net investment income and net realized gains on investments of \$2.009, payable on December 26, 2007 to shareholders of record on November 29, 2007.

The 2008 annual meeting of shareholders will be held on February 11, 2008. Time and location will be included in the proxy statement, scheduled to be mailed to shareholders on January 12, 2008. All shareholders are welcome to attend, we hope to see you there.



Thomas H. Dinsmore
Chairman of the Board

Major Portfolio Changes by underlying common stock Six months ended October 31, 2007

ADDITIONS

Amerivon Holdings LLC

Charming Shoppes, Inc.

Companhia Vale do Rio Doce ADS
(exchangeable from Vale Capital Ltd.)

ConocoPhillips
(exchangeable from Merrill Lynch & Co., Inc.)

Gannett Co., Inc.

General Cable Corp.

General Mills, Inc.
(exchangeable from Lehman Brothers Holdings Inc.)

Morgans Hotel Group Co.

St. Jude Medical, Inc.
(exchangeable from NATIXIS Financial Products Inc.)

Sepracor Inc.
(exchangeable from NATIXIS Financial Products Inc.)

Tesoro Corp.
(exchangeable from Merrill Lynch & Co., Inc.)

REDUCTIONS

Amazon.com, Inc.

Amgen, Inc.

Celanese Corp.

Epicor Software Corp.

FTI Consulting, Inc.

LSI Corp.

Manor Care, Inc.

Nuveen Investments, Inc.
(exchangeable from Merrill Lynch & Co. and Morgan Stanley, Inc.)

NVIDIA Corp.
(exchangeable from IXIS Financial Products Inc.)

Reinsurance Group of America, Inc.

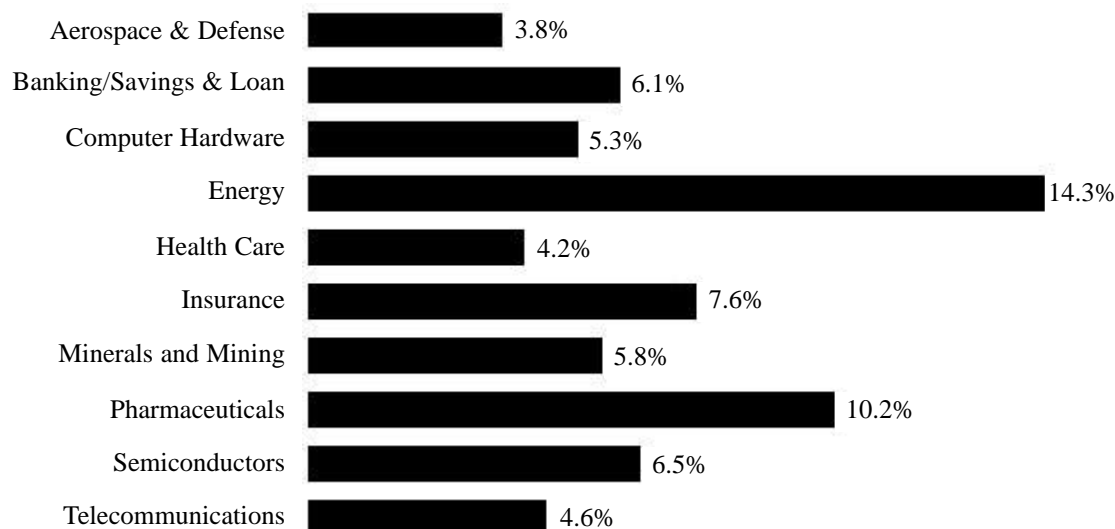
U.S. Bancorp

Vornado Realty Trust

Largest Investment Holdings by underlying common stock

	<u>Value</u> (Note 1)	<u>% Total</u> <u>Net Assets</u>
Freeport-McMoRan Copper and Gold, Inc. Freeport-McMoRan is involved in mineral exploration and development, mining, and milling of copper, gold and silver. The company is also involved in smelting and refining copper concentrates.	\$ 3,837,600	2.7 %
LSB Industries, Inc. LSB manufactures and sells chemical products for the mining, agricultural and industrial markets. The company also manufactures and sells commercial and residential climate control products.	3,420,000	2.5
Prudential Financial, Inc. Prudential provides financial services worldwide. The company offers a variety of products and services including life insurance, mutual funds, annuities, asset management and real estate brokerage.	3,083,550	2.2
The Walt Disney Company Disney, an entertainment company, has operations that include media networks, studio entertainment, theme parks and resorts, consumer products, and Internet and direct marketing.	3,040,625	2.2
Bristol-Myers Squibb Co. Bristol-Myers is a diversified worldwide health and personal care company that manufactures medicines and other products. The company's products include therapies for various diseases and disorders, consumer medicines, infant formulas, and nutritional supplements.	2,993,400	2.1
New York Community Bancorp, Inc. New York Community Bancorp is a multi-bank holding company that offers a full range of traditional and non-traditional products and services.	2,973,745	2.1
Celanese Corp. Celanese is a global industrial chemicals company that processes raw materials and natural products into chemicals and chemical-based products.	2,955,700	2.1
Chesapeake Energy Corp. Chesapeake produces oil and natural gas. The company's operations are focused on developmental drilling and producing property acquisitions in onshore natural gas producing areas of the United States and Canada.	2,939,020	2.1
Companhia Vale do Rio Doce Companhia Vale do Rio Doce produces and sells iron ore, pellets, manganese, alloys, gold, bauxite and alumina. The company is based in Brazil, where it owns and operates railroads and maritime terminals. (exchangeable from Vale Capital Ltd.)	2,917,200	2.1
Nabors Industries Ltd. Nabors is a land drilling contractor, and also performs well-servicing and workovers. The company conducts oil, gas and geothermal land drilling operations. (exchangeable from Nabors Industries, Inc. and NATIXIS Financial Products, Inc.)	<u>2,736,206</u>	<u>2.0</u>
Total	<u>\$30,897,046</u>	<u>22.1%</u>

Major Industry Exposure



Diversification of Assets

	Cost	Value (Note 1)	% Total Net Assets October 31,	
			2007	2006
Aerospace and Defense	\$ 5,188,130	\$ 5,255,406	3.8%	5.0%
Agriculture	2,047,767	1,963,300	1.4	—
Banking/Savings and Loan	9,353,978	8,506,245	6.1	7.8
Chemicals	2,245,391	3,932,140	2.8	3.2
Computer Hardware	6,060,991	7,365,400	5.3	3.1
Computer Software	3,600,989	4,177,750	3.0	3.0
Consumer Goods	4,320,560	5,157,719	3.7	1.1
Energy	18,626,924	20,075,939	14.3	8.8
Financial Services	4,313,224	3,265,700	2.3	2.7
Foods	2,308,000	2,323,253	1.7	1.7
Health Care	5,981,539	5,869,323	4.2	2.9
Insurance	9,694,387	10,562,275	7.6	10.8
Media and Entertainment	4,637,835	5,038,625	3.6	5.6
Minerals and Mining	5,478,607	8,027,300	5.8	0.1
Multi-Industry	3,750,000	4,094,061	2.9	6.0
Pharmaceuticals	15,451,069	14,326,177	10.2	10.1
Real Estate	982,275	1,083,750	0.8	1.2
Retail	2,991,719	2,679,375	1.9	1.2
Semiconductors	8,052,688	9,074,375	6.5	9.6
Telecommunications	6,359,541	6,462,360	4.6	4.1
Transportation	1,928,424	1,937,500	1.4	—
Travel and Leisure	1,026,106	1,052,500	0.8	—
Other	—	—	—	6.8
Short-Term Securities	5,098,668	5,098,668	3.7	5.1
Total Investments	<u>\$129,498,812</u>	<u>137,329,141</u>	<u>98.4</u>	<u>99.9</u>
Other Assets, Net of Liabilities		<u>2,251,075</u>	<u>1.6</u>	<u>0.1</u>
Total Net Assets		<u>\$139,580,216</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio of Investments October 31, 2007

Principal Amount		Identified Cost	Value (Note 1)
CONVERTIBLE BONDS AND NOTES — 59.2%			
Aerospace and Defense — 3.5%			
\$1,500,000	AAR Corp. 1.75%, due 2026 cv. sr. notes (BB)	\$1,535,808	\$1,880,625
1,000,000	Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	1,007,348	1,276,250
1,500,000	DRS Technologies, Inc. 2%, due 2026 cv. sr. notes (B1) (Acquired 01/30/06 - 05/16/07; Cost \$1,628,724) ^(1,2)	<u>1,628,724</u>	<u>1,661,250</u>
		<u>4,171,880</u>	<u>4,818,125</u>
Agriculture — 1.4%			
2,000,000	Merrill Lynch & Co., Inc. 1.5%, due 2012 cv. securities (Aa1) (exchangeable into Archer-Daniels-Midland Co. common stock) (Acquired 02/23/07; Cost \$2,047,767) ^(1,2)	<u>2,047,767</u>	<u>1,963,300</u>
Banking/Savings and Loan — 2.1%			
1,000,000	PrivateBancorp, Inc. 3.625%, due 2027 cv. sr. notes (NR)	1,000,000	957,500
2,000,000	U.S. Bancorp floating rate, due 2037 cv. sr. deb. (Aa2)	<u>1,980,803</u>	<u>2,000,400</u>
		<u>2,980,803</u>	<u>2,957,900</u>
Computer Hardware — 5.3%			
1,000,000	C&D Technologies, Inc. 5.25%, due 2025 cv. sr. notes (NR)	1,000,000	952,500
2,000,000	Credit Suisse, New York Branch 14.00%, due 2008 equity-linked notes (NR) (exchangeable for Corning Inc. common stock)	<u>2,000,000</u>	<u>1,995,400</u>
1,000,000	EMC Corp. 1.75%, due 2011 cv. sr. notes (BBB+)	1,029,116	1,687,500
1,000,000	EMC Corp. 1.75%, due 2013 cv. sr. notes (BBB+)	1,031,875	1,710,000
1,000,000	Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR)	<u>1,000,000</u>	<u>1,020,000</u>
		<u>6,060,991</u>	<u>7,365,400</u>
Computer Software — 3.0%			
1,000,000	Blackboard Inc. 3.25%, due 2027 cv. sr. notes (B-)	1,000,000	1,167,500
1,000,000	GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR) (Acquired 06/27/07; Cost \$1,001,851) ⁽²⁾	1,001,851	1,175,000
1,500,000	Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (A1) (performance linked to Microsoft Corp. common stock) ⁽¹⁾	<u>1,599,138</u>	<u>1,835,250</u>
		<u>3,600,989</u>	<u>4,177,750</u>
Consumer Goods — 2.4%			
1,500,000	Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR)	1,526,787	1,743,750
1,000,000	Church & Dwight Co., Inc. 5.25%, due 2033 cv. sr. deb. (Ba1)	<u>1,000,000</u>	<u>1,558,750</u>
		<u>2,526,787</u>	<u>3,302,500</u>
Energy — 5.7%			
1,000,000	Cameron International Corp. 2.50%, due 2026 cv. sr. notes (Baa1)	991,739	1,572,500
1,500,000	Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) ⁽¹⁾	1,594,643	1,661,250
1,500,000	Nabors Industries, Inc. 0.94%, due 2011 sr. exchangeable notes (A-) (exchangeable for Nabors Industries Ltd. common stock)	<u>1,493,284</u>	<u>1,425,000</u>
1,225,000	Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	<u>1,453,186</u>	<u>1,871,188</u>
1,250,000	Rentech, Inc. 4%, due 2013 cv. sr. notes (NR)	1,250,000	987,500
500,000	USEC Inc. 3%, due 2014 cv. sr. notes (CCC)	<u>500,000</u>	<u>487,775</u>
		<u>7,282,852</u>	<u>8,005,213</u>
Financial Services — 1.5%			
2,000,000	Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) ⁽¹⁾	<u>2,393,065</u>	<u>2,127,500</u>

Portfolio of Investments October 31, 2007 (continued)

Principal Amount		Identified Cost	Value (Note 1)
CONVERTIBLE BONDS AND NOTES — continued			
Health Care — 3.2%			
\$ 375,000	China Medical Technologies, Inc. 3.5%, due 2011 cv. sr. sub. notes (NR)	\$ 386,414	\$ 591,563
500,000	LifePoint Hospitals, Inc. 3.25%, due 2025 cv. sr. sub. deb. (B2)	477,605	436,875
475,000	LifePoint Hospitals, Inc. 3.50%, due 2014 cv. sub. notes (B)	477,835	428,094
1,000,000	Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B2) ⁽¹⁾	1,086,650	823,750
1,000,000	SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR)	1,015,790	1,162,500
1,000,000	St. Jude Medical, Inc. 1.22%, due 2008 cv. sr. deb. (BBB+)	1,004,063	1,011,250
		<u>4,448,357</u>	<u>4,454,032</u>
Insurance — 2.2%			
3,000,000	Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3)	2,982,464	3,083,550
Media and Entertainment — 3.6%			
2,000,000	Gannett Co., Inc. floating rate, due 2037 cv. sr. notes (A3)	1,993,036	1,998,000
2,500,000	The Walt Disney Company 2.125%, due 2023 cv. sr. notes (A2)	2,644,799	3,040,625
		<u>4,637,835</u>	<u>5,038,625</u>
Minerals and Mining — 0.9%			
1,000,000	Newmont Mining Corp. 1.625%, due 2017 cv. sr. notes (BBB+)		
	(Acquired 07/12/07; Cost \$1,018,232) ⁽²⁾	<u>1,018,232</u>	<u>1,272,500</u>
Multi-Industry — 2.9%			
750,000	Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR)		
	(exchangeable for Verenum Corp. common stock)	750,000	674,061
3,000,000	LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR)		
	(Acquired 06/28/07; Cost \$3,000,000) ⁽²⁾	<u>3,000,000</u>	<u>3,420,000</u>
		<u>3,750,000</u>	<u>4,094,061</u>
Pharmaceuticals — 7.2%			
2,000,000	Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1)		
	(exchangeable for Johnson & Johnson common stock)	1,748,540	1,800,000
3,000,000	Bristol-Myers Squibb Co. floating rate, due 2023 cv. sr. deb. (A2)	3,005,943	2,993,400
1,625,000	Mylan Inc. 1.25%, due 2012 sr. cv. notes (BB+)	1,665,215	1,462,500
1,500,000	Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2)		
	(exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	1,487,915	1,601,250
2,000,000	Wyeth floating rate, due 2024 cv. sr. deb. (A3)	2,168,455	2,144,520
		<u>10,076,068</u>	<u>10,001,670</u>
Real Estate — 0.8%			
1,000,000	ProLogis 2.25%, due 2037 cv. sr. notes (BBB+)		
	(Acquired 03/20/07 - 04/16/07; Cost \$982,275) ⁽²⁾	<u>982,275</u>	<u>1,083,750</u>
Retail — 0.8%			
1,500,000	Charming Shoppes, Inc. 1.125%, due 2014 sr. cv notes (BB-)	1,491,719	1,179,375
Semiconductors — 6.5%			
2,500,000	Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (B+)		
	(exchangeable for LSI Corp.)	2,534,359	2,546,875
1,500,000	Cypress Semiconductor Corp. 1%, due 2009 cv. sr. notes (NR)	1,520,469	2,392,500
2,000,000	Fairchild Semiconductor Corp. 5%, due 2008 cv. sr. sub. notes (B)		
	(exchangeable into Fairchild Semiconductor International, Inc.		
	common stock)	1,992,796	1,990,000
2,000,000	Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) ⁽¹⁾	2,005,064	2,145,000
		<u>8,052,688</u>	<u>9,074,375</u>

Portfolio of Investments October 31, 2007 (continued)

Principal Amount		Identified Cost	Value (Note 1)
CONVERTIBLE BONDS AND NOTES — continued			
Telecommunications — 4.1%			
\$1,000,000	Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-)	\$ 1,118,967	\$ 1,258,750
2,000,000	Equinix, Inc. 2.5%, due 2012 cv. sub. notes (CCC+)	2,214,633	2,432,500
1,000,000	General Cable Corp. 1%, due 2012 sr. cv. notes (B1)	1,018,691	1,097,500
1,000,000	SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR)	1,007,250	927,500
		<u>5,359,541</u>	<u>5,716,250</u>
Transportation — 1.4%			
2,000,000	ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR)	1,928,424	1,937,500
Travel and Leisure — 0.8%			
1,000,000	Morgans Hotel Group Co. 2.375%, due 2014 sr. sub. cv notes (NR) (Acquired 10/11/07 - 10/12/07; Cost \$1,026,106) ⁽²⁾	1,026,106	1,052,500
	TOTAL CONVERTIBLE BONDS AND NOTES	<u>\$76,818,843</u>	<u>\$82,705,876</u>
CORPORATE BONDS AND NOTES — 1.1%			
Retail — 1.1%			
1,500,000	Amerivon Holdings LLC 4%, due 2010 units (NR) (Acquired 06/01/07; Cost \$1,500,000) ^(2,3)	1,500,000	1,500,000
Shares	CONVERTIBLE PREFERRED STOCKS — 9.6%		
Aerospace and Defense — 0.3%			
40,000	Ionatron, Inc. 6.5% series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost \$1,000,000) ⁽²⁾	1,000,000	420,000
Banking/Savings and Loan — 4.0%			
59,179	New York Community Bancorp, Inc. 6% BONUSSES units (Baa1)	2,992,817	2,973,745
20,000	Sovereign Capital Trust IV 4.375% PIERS (Baa1) (exchangeable for Sovereign Bancorp, Inc. common stock) ⁽¹⁾	1,212,458	815,000
40,000	Washington Mutual Capital Trust 5.375% PIERS units (A3) (exchangeable for Washington Mutual, Inc. common stock)	2,167,900	1,759,600
		<u>6,373,175</u>	<u>5,548,345</u>
Chemicals — 2.1%			
55,000	Celanese Corp. 4.25% cv. perpetual pfd. (NR)	1,344,391	2,955,700
Energy — 2.7%			
25,000	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+)	2,566,320	2,623,000
20,000	PetroQuest Energy, Inc. 6.875% cum. cv. perpetual pfd. (NR)	1,000,000	1,141,100
		<u>3,566,320</u>	<u>3,764,100</u>
Telecommunications — 0.5%			
100	Medis Technologies Ltd. 7.25% series A cum. cv. perpetual pfd. (NR)	1,000,000	746,110
	TOTAL CONVERTIBLE PREFERRED STOCKS	<u>\$13,283,886</u>	<u>\$13,434,255</u>
MANDATORY CONVERTIBLE SECURITIES — 24.0% ⁽⁴⁾			
Chemicals — 0.7%			
20,000	Huntsman Corp. 5%, due 02/16/08 mandatory cv. pfd. (NR)	901,000	976,440
Consumer Goods — 1.3%			
1,750	The Stanley Works floating rate, due 05/17/12 equity units (A2)	1,793,773	1,855,219

Portfolio of Investments October 31, 2007 (continued)

Shares		Identified Cost	Value (Note 1)
MANDATORY CONVERTIBLE SECURITIES — continued			
Energy — 6.0%			
40,000	Bristow Group Inc. 5.5%, due 09/15/09 mandatory cv. pfd. (B)	\$2,027,500	\$2,565,600
1,000	Chesapeake Energy Corp. 6.25%, due 06/15/09 mandatory cv. pfd. (B+)	250,000	316,020
2,000	Merrill Lynch & Co., Inc. 5.4%, due 09/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock)	2,000,000	1,924,390
41,135	Merrill Lynch & Co., Inc. 12%, due 06/27/08 capped appreciation notes (NR) (linked to the performance of Tesoro Corp. common stock)	1,999,984	2,189,410
45,950	NATIXIS Financial Products Inc. 9.55%, due 01/26/08 mandatory trigger exchangeable notes (NR) (exchangeable for Nabors Industries, Inc. common stock) (Acquired 07/23/07; Cost \$1,500,268) ⁽²⁾	1,500,268	1,311,206
		<u>7,777,752</u>	<u>8,306,626</u>
Financial Services — 0.8%			
70,000	E*TRADE Financial Corp. 6.125%, due 11/18/08 equity units (Ba3)	1,920,159	1,138,200
Foods — 0.9%			
50,000	Lehman Brothers Holdings Inc. 6%, due 10/12/10 PIES (A1) (exchangeable for General Mills, Inc. common stock)	1,250,000	1,259,000
Health Care — 1.0%			
33,950	NATIXIS Financial Products Inc. 9%, due 04/22/08 mandatory trigger exchangeable notes (NR) (exchangeable for St. Jude Medical, Inc. common stock) (Acquired 10/17/07; Cost \$1,533,182) ⁽²⁾	1,533,182	1,415,291
Insurance — 5.4%			
4,000	Alleghany Corp. 5.75%, due 06/15/09 mandatory cv. pfd. (BBB-)	1,058,400	1,442,000
75,000	Citigroup Funding Inc. variable rate, due 10/27/08 exchangeable notes (Aa1) (exchangeable for Genworth Financial, Inc. common stock)	2,212,500	2,013,750
80,000	MetLife, Inc. 6.375%, due 08/15/08 common equity units (BBB+)	2,084,000	2,681,600
52,500	XL Capital Ltd. 7%, due 02/15/09 equity security units (A3)	1,357,023	1,341,375
		<u>6,711,923</u>	<u>7,478,725</u>
Minerals and Mining — 4.8%			
22,500	Freeport-McMoRan Copper & Gold Inc. 6.75%, due 05/01/10 mandatory cv. pfd. (B+)	2,422,775	3,837,600
30,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR) (exchangeable for Companhia Vale do Rio Doce ADS)	1,534,600	2,192,100
10,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR) (exchangeable for Companhia Vale do Rio Doce Preference A Shares ADS)	503,000	725,100
		<u>4,460,375</u>	<u>6,754,800</u>
Pharmaceuticals — 3.1%			
63,012	NATIXIS Financial Products Inc. 8.1%, due 12/05/07 mandatory trigger exchangeable notes (NR) (exchangeable for Sepracor Inc. common stock) (Acquired 05/23/07; Cost \$3,000,001) ⁽²⁾	3,000,001	1,786,012
9,500	Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3)	2,375,000	2,538,495
		<u>5,375,001</u>	<u>4,324,507</u>
	TOTAL MANDATORY CONVERTIBLE SECURITIES ⁽⁴⁾	<u>\$31,723,165</u>	<u>\$33,508,808</u>

Portfolio of Investments October 31, 2007 (continued)

Shares		Identified Cost	Value (Note 1)
	COMMON STOCKS — 0.8%		
	Aerospace and Defense — 0.0%		
4,696	Ionatron, Inc. ⁽⁵⁾	\$ 16,250	\$ 17,281
	Foods — 0.8%		
18,435	General Mills, Inc.	1,058,000	1,064,253
	TOTAL COMMON STOCKS	<u>1,074,250</u>	<u>1,081,534</u>
Principal Amount	SHORT-TERM SECURITIES — 3.7%		
	Commercial Paper — 3.7%		
\$5,100,000	American Express Credit Corp. 4.70%, due 11/01/07 (P1)	5,098,668	5,098,668
	Total Convertible Bonds and Notes — 59.2%	\$ 76,818,843	\$ 82,705,876
	Total Corporate Bonds and Notes — 1.1%	1,500,000	1,500,000
	Total Convertible Preferred Stocks — 9.6%	13,283,886	13,434,255
	Total Mandatory Convertible Securities — 24.0%	31,723,165	33,508,808
	Total Common Stocks — 0.8%	1,074,250	1,081,534
	Total Short-Term Securities — 3.7%	<u>5,098,668</u>	<u>5,098,668</u>
	Total Investments — 98.4%	<u>\$129,498,812</u>	137,329,141
	Other assets and liabilities, net — 1.6%		<u>2,251,075</u>
	Total Net Assets — 100.0%		<u>\$139,580,216</u>

- (1) Contingent payment debt instrument which accrues contingent interest. See Note 1(f).
- (2) Security not registered under the Securities Act of 1933, as amended (i.e., the security was purchased in a Rule 144A or a Reg D transaction). The security may be resold only pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The Fund generally has no rights to demand registration of these securities. The aggregate market value of these securities at October 31, 2007 was \$18,060,809 which represented 12.9% of the Fund's net assets.
- (3) Investment is a restricted security, valued at fair value as determined in good faith in accordance with procedures adopted by the Board of Trustees. It is possible that the estimated value may differ significantly from the amount that might ultimately be realized in the near term, and the difference could be material. The market value of this security amounts to \$1,500,000 which represented 1.1% of the Fund's net assets.
- (4) These securities are required to be converted on the dates listed; they generally may be converted prior to these dates at the option of the holder.
- (5) Non-income producing security.

ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BONUSES	Bifurcated Option Note Unit Securities.
PIES	Premium Income Exchangeable Securities.
PIERS	Preferred Income Equity Redeemable Securities.
PRIDES	Preferred Redeemable Income Dividend Equity Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's;
NR is used whenever a rating is unavailable.

Summary of Portfolio Ratings

	% of Portfolio
Aa	6
A	20
Baa	15
Ba	6
B	19
Caa	2
NR	31
Common Stock	1

See accompanying notes to financial statements

Statement of Assets and Liabilities

October 31, 2007

Assets:

Investments at value (cost \$129,498,812) (Note 1)	\$137,329,141
Cash	78,718
Receivable for securities sold	2,460,139
Dividends and interest receivable	958,579
Other assets	28,408
Total assets	<u>140,854,985</u>

Liabilities:

Payable for securities purchased	1,207,679
Accrued management fee (Note 2)	12,227
Accrued expenses	25,363
Other liabilities	29,500
Total liabilities	<u>1,274,769</u>

Net Assets

\$139,580,216

Net assets consist of:

Capital shares (Note 3)	\$ 57,330
Additional paid-in capital	119,345,966
Undistributed net investment income	236,184
Accumulated net realized gain from investment transactions	12,110,407
Unrealized appreciation on investments	<u>7,830,329</u>

Net Assets

\$139,580,216

Net asset value per share (\$139,580,216 ÷ 5,733,016 outstanding shares)

\$ 24.35

Statement of Operations

For the Year Ended October 31, 2007

Investment Income (Note 1):

Interest	\$ 3,590,738
Dividends	<u>2,431,274</u>
Total Income	<u>6,022,012</u>

Expenses (Note 2):

Management fee	912,823
Custodian	20,135
Transfer agent	28,047
Audit fees	34,700
Legal fees	135,543
Trustees' fees	107,625
Reports to shareholders	38,175
Administrative services fees	60,626
Other	<u>88,321</u>
Total Expenses	<u>1,425,995</u>

Net Investment Income

4,596,017

Realized and Unrealized Gain on Investments:

Net realized gain from investment transactions	11,500,969
Net change in unrealized appreciation of investments	<u>2,263,067</u>
Net gain on investments	<u>13,764,036</u>

Net Increase in Net Assets Resulting from Operations

\$ 18,360,053

Statements of Changes in Net Assets

For the Years Ended October 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Change in net assets from operations:		
Net investment income	\$ 4,596,017	\$ 4,479,182
Net realized gain from investment transactions	11,500,969	7,233,885
Net change in unrealized appreciation of investments	<u>2,263,067</u>	<u>1,251,584</u>
Net increase in net assets resulting from operations	<u>18,360,053</u>	<u>12,964,651</u>
Distributions to shareholders from:		
Net investment income	(5,102,460)	(4,395,566)
Net realized gain on investments	<u>(2,621,312)</u>	<u>—</u>
Total distributions	<u>(7,723,772)</u>	<u>(4,395,566)</u>
Capital share transactions (Note 3)	<u>2,097,228</u>	<u>655,492</u>
Change in net assets	12,733,509	9,224,577
Net assets at beginning of period	<u>126,846,707</u>	<u>117,622,130</u>
Net assets at end of period	<u>\$139,580,216</u>	<u>\$126,846,707</u>
Undistributed net investment income at end of period	<u>\$ 236,184</u>	<u>\$ 742,627</u>

Notes to Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) **Organization** — Bancroft Fund Ltd. (the “Fund”), is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company.

(b) **Use of Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) **Indemnification** — Under the Fund’s organizational documents, each trustee, officer or other agent of the Fund (including the Fund’s investment adviser) is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of 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. The risk of material loss as a result of such indemnification is considered remote.

(d) **Federal Income Taxes** — The Fund’s policy is to distribute substantially all of its taxable income within the prescribed time and to otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. Therefore, no provision for federal income or excise taxes is believed necessary.

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund’s tax return to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The interpretation will become effective for tax years beginning after December 15, 2006. Management believes the adoption of FIN 48 will have no impact to the financial statements.

Notes to Financial Statements (continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) **Security Valuation** — Investments in securities traded on a national securities exchange are valued at market using the last reported sales price as of the close of regular trading. Listed securities for which no sales were reported are valued at the mean between closing reported bid and asked prices as of the close of regular trading. Unlisted securities traded in the over-the-counter market are valued using an evaluated quote provided by an independent pricing service, or, if an evaluated quote is unavailable, such securities are valued using prices received from dealers, provided that if the dealer supplies both bid and asked prices, the price to be used is the mean of the bid and asked prices. The independent pricing service derives an evaluated quote by obtaining dealer quotes, analyzing the listed markets, reviewing trade execution data and employing sensitivity analysis. Evaluated quotes may also reflect appropriate factors such as individual characteristics of the issue, communications with broker-dealers, and other market data. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith by management pursuant to procedures approved by the Board of Trustees. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

(f) **Securities Transactions and Related Investment Income** — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis, including accretion of discounts and amortization of non-equity premium. For certain securities, known as “contingent payment debt instruments,” Federal tax regulations require the Fund to record non-cash, “contingent” interest income in addition to interest income actually received. Contingent interest income amounted to 12 cents per share for the year ended October 31, 2007. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At October 31, 2007 there were net unrealized gains of approximately \$0.001 per share on contingent payment debt instruments.

(g) **Change in Method of Accounting** — Effective November 1, 2004, the Fund began amortizing discounts and premiums on all debt securities. Prior to November 1, 2004, the Fund amortized discounts on original issue discount debt securities. The new method of amortization was adopted in accordance with the provisions of the *AICPA Audit and Accounting Guide, Audits of Investment Companies* and the financial highlights presented herein have been restated to reflect the new method retroactive to November 1, 2001. The effect of this accounting change is included in the financial highlights for the years ended October 31, 2003 and 2004. The cumulative effect of this accounting change had no impact on the total net assets of the Fund or on distributions for tax purposes, but resulted in a \$103,986 increase in the cost of securities held and a corresponding \$103,986 reduction in the net unrealized gains based on the securities held on November 1, 2001. These changes had no effect on previously reported total net assets or total returns.

(h) **Distributions to Shareholders** — Distributions to shareholders from net investment income are recorded by the Fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid annually. The amount and character of income and capital gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. The tax character of distributions paid during the fiscal years ended October 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Ordinary Income	\$ 5,102,460	\$ 4,395,566
Net Realized Gain on Investments	2,621,312	—
	<u>\$ 7,723,772</u>	<u>\$ 4,395,566</u>

Notes to Financial Statements (continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

At October 31, 2007 the components of distributable earnings and federal tax cost were as follows:

Unrealized appreciation	\$ 13,835,252
Unrealized depreciation	<u>(6,108,487)</u>
Net unrealized appreciation	<u>7,726,765</u>
Undistributed ordinary income	3,868,336
Undistributed capital gains	<u>8,581,821</u>
Total distributable earnings	<u>12,450,157</u>
Total accumulated earnings	<u>\$ 20,176,922</u>
Cost for federal income tax purposes	<u>\$129,602,376</u>

(i) Market Risk — It is the Fund's policy to invest at least 65% of its assets in convertible securities. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, certain of the Fund's investments include features which render them more sensitive to price changes of their underlying securities. Thus they expose the Fund to greater downside risk than traditional convertible securities, but generally less than that of the underlying common stock. The market value of those securities was \$33,508,808 at October 31, 2007, representing 24.0% of net assets.

(j) Accounting Pronouncements — In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of October 31, 2007, the Fund does not believe the adoption of SFAS No. 157 will impact the financial statement amounts, however, additional disclosures may be required about the criteria used to develop the measurements and the effect of certain of the measurements on changes in net assets for the period.

NOTE 2 - MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Fund has entered into an investment advisory agreement with Davis-Dinsmore Management Company ("Davis-Dinsmore"). Pursuant to the investment advisory agreement, Davis-Dinsmore provides the Fund with investment advice, office space and facilities. Under the terms of the investment advisory agreement, the Fund pays Davis-Dinsmore on the last day of each month an advisory fee for such month computed at an annual rate of 0.75% of the first \$100,000,000 and 0.50% of the excess over \$100,000,000 of the Fund's net asset value in such month.

The Fund, pursuant to an administrative services agreement with Davis-Dinsmore, has agreed to pay Davis-Dinsmore for certain accounting and other administrative services provided to the Fund. Under the administrative services agreement, the Fund pays Davis-Dinsmore on the last day of each month a fee for such month computed at an annual rate of 0.05% of the Fund's net asset value in such month.

Certain officers and trustees of the Fund are officers and directors of Davis-Dinsmore.

Notes to Financial Statements (continued)

NOTE 3 - PORTFOLIO ACTIVITY

At October 31, 2007 there were 5,733,016 shares of beneficial interest outstanding, with a par value of \$0.01 per share. During the years ended October 31, 2007 and 2006, 107,882 shares and 36,681 shares were issued in connection with reinvestment of dividends from net investment income, resulting in an increase in paid-in capital of \$2,097,228 and \$655,492, respectively.

Purchases and sales of investments, exclusive of corporate short-term notes, aggregated \$99,955,176 and \$102,589,828, respectively, for the year ended October 31, 2007.

A distribution of \$2.175 per share, derived from net investment income of \$0.166 and net realized gains on investments of \$2.009 was declared on November 19, 2007, payable December 26, 2007 to shareholders of record at the close of business November 29, 2007.

Financial Highlights Selected data for a share of beneficial interest outstanding:

	Year Ended October 31,				
	2007	2006	2005	2004	2003
Operating Performance:					
Net asset value, beginning of year	\$22.55	\$21.05	\$20.40	\$20.84	\$18.55
Net investment income	0.80	0.80	0.64	0.70(a)	0.71 (a)
Adjustment for change in amortization policy	—	—	—	(0.02)	(0.02)
Net investment income, as adjusted . . .	0.80	0.80	0.64	0.68	0.69
Net realized and unrealized gain (loss)	2.37	1.48	0.71	0.08(a)	2.31 (a)
Adjustment for change in amortization policy	—	—	—	0.02	0.02
Net realized and unrealized gain (loss), as adjusted	2.37	1.48	0.71	0.10	2.33
Total from investment operations	3.17	2.28	1.35	0.78	3.02
Less Distributions:					
Dividends from net investment income	(0.90)	(0.78)	(0.70)	(0.72)	(0.73)
Distributions from realized gains	(0.47)	—	—	—	—
Total distributions	(1.37)	(0.78)	(0.70)	(0.72)	(0.73)
Capital Share Transactions:					
Effect of rights offering	—	—	—	(0.50)	—
Capital share repurchases	—	—	—	—	—
Total capital share transactions	—	—	—	(0.50)	—
Net asset value, end of year	\$24.35	\$22.55	\$21.05	\$20.40	\$20.84
Market value, end of year	\$21.35	\$19.30	\$17.77	\$18.23	\$19.70
Total Net Asset Value Return %(b)	14.5	11.1	6.7	1.3	16.7
Total Investment Return %(c)	18.3	13.3	1.3	(3.8)	16.7
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$139,580	\$126,847	\$117,622	\$113,373	\$98,486
Ratio of expenses to average net assets (%)	1.1	1.1	1.2	1.1	1.2
Ratio of net investment income to average net assets (%)	3.5	3.7	3.1	3.3(d)	3.6(d)
Portfolio turnover rate (%)	80	58	86	66	87

(a) As previously reported.

(b) Assumes valuation of the Fund's shares, and reinvestment of dividends, at net asset values.

(c) Assumes valuation of the Fund's shares at market price and reinvestment of dividends at actual reinvestment price.

(d) Ratios for 2004 and 2003 reflect ratios adjusted for change in amortization policy. Ratios previously reported for 2004 and 2003 were 3.4% and 3.6%, respectively.

See accompanying notes to financial statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of Bancroft Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments of Bancroft Fund Ltd. (the "Fund") as of October 31, 2007, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the years in the two year period ended October 31, 2004 have been audited by other auditors, whose report dated November 19, 2004 expressed an unqualified opinion thereon.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2007, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Bancroft Fund Ltd. as of October 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
December 5, 2007

Board Approval of Advisory Agreement

In October 2007, the independent trustees of Bancroft renewed the Advisory Agreement with Davis-Dinsmore Management Company (the “Advisory Agreement”). The following are the material factors and conclusions that formed the basis for the renewal of the agreement.

The nature and extent of the advisory services provided by Davis-Dinsmore — The Board of the Fund (the “Board”) and the independent trustees reviewed the services to be provided by Davis-Dinsmore under the Advisory Agreement. The Board noted that under the Advisory Agreement, Davis-Dinsmore would supervise all aspects of the Fund’s operations including the investment and reinvestment of cash, securities or other properties comprising the Fund’s assets. In this regard, the Board noted that under the Advisory Agreement it is Davis-Dinsmore’s responsibility to, among other things, (a) supervise all aspects of the operations of the Fund; (b) obtain and evaluate pertinent information about significant developments and economic, statistical and financial data, domestic, foreign or otherwise, whether affecting the economy generally or any industry or the Fund or any issuer of securities held or to be purchased by the Fund; (c) determine which issuers and securities shall be represented in the Fund’s investment portfolio and regularly report thereon to the Board; (d) place orders for the purchase and sale of securities for the Fund; and (e) take, on behalf of the Fund, such other action as may be necessary or appropriate in connection with the above.

Based on such review, both the Board and the independent trustees concluded that the range of services to be provided by Davis-Dinsmore under the Advisory Agreement was appropriate and that Davis-Dinsmore currently is providing services in accordance with the terms of the Advisory Agreement.

The quality of services provided by Davis-Dinsmore — In reviewing the qualifications of Davis-Dinsmore to provide investment advisory services, both the Board and the independent trustees reviewed the credentials and experience of Davis-Dinsmore’s investment personnel who will provide investment advisory services to the Fund, and considered Davis-Dinsmore’s (i) portfolio and product review process, particularly its adherence to the Fund’s investment mandate, (ii) compliance function and its culture of compliance, (iii) use of technology, including the use, from time to time, of direct satellite links to issuer interviews and conferences, (iv) investment research operations (which involves meetings with issuers and analysts, investment seminars and field trips to issuers, and the review of: (a) financial newspapers, industry literature, publications and periodicals, (b) research materials prepared by others, (c) issuer annual reports and prospectuses, and (d) issuer press releases) and trading operations (which involves computerized execution of orders), and (v) focus on providing quality services while keeping the Fund’s fees and expenses as low as possible. The Board and the independent trustees also took into consideration the presentations made by Davis-Dinsmore at prior Board meetings pertaining to its management of the Fund.

Based on the review of these and other factors, both the Board and the independent trustees determined and concluded that the quality of services to be provided by Davis-Dinsmore was appropriate and that Davis-Dinsmore currently is providing satisfactory services to the Fund in accordance with the terms of the Advisory Agreement.

The performance of the Fund relative to comparable funds — Both the Board and the independent trustees reviewed the performance of the Fund (at net asset value) during the past one, three, five and ten years ended September 30, 2007 against the performance of other closed-end funds categorized to be in the Fund’s peer group by Lipper, Inc. Both the Board and the independent trustees noted that the Fund’s performance for the three, five and ten year periods was below the average performance of all closed-end funds in the peer group, but was above the average performance of such funds for the one year period. In evaluating the Fund’s performance against other funds in its peer group, the Board and the independent trustees took into account the fact that many of the Fund’s competitors engage in leverage, which has increased their returns, but that the Fund does not engage in leverage.

Board Approval of Advisory Agreement (continued)

In addition, the Board and the independent trustees recognized that many of the Fund's competitors have a higher percentage of their assets invested in securities with lower credit quality than does the Fund, and that such securities have performed better than higher quality securities in recent years. The Board and the independent trustees also noted that portfolio manager's investment approach is to make equity investments utilizing convertible securities to provide a total return similar to that of equity securities, but with lower volatility and higher income. The Board and the independent trustees recognized that only three of the funds in the Fund's peer group followed a similar investment approach. Because of the differences in how funds in the Fund's peer group are managed, the Board and the independent trustees concluded that they should consider the performance of the Fund against appropriate indices as a more relevant factor in assessing the performance of the Fund.

The performance of the Fund relative to indices — Both the Board and the independent trustees reviewed the performance of the Fund (at net asset value) during the past one, three, five and ten years ended September 30, 2007 against the performance of the Merrill Lynch All Convertibles Index and Merrill Lynch Investment Grade Convertibles Index. Both the Board and the independent trustees noted that, for the one, five and ten year periods, the Fund's performance was below the Merrill Lynch All Convertibles Index but was above such Index for the three year period. The Board and the independent trustees also considered the fact that currently a majority of the securities held by the Fund have an investment grade rating or are of comparable quality to securities with investment grade ratings, and noted that, for the one, three, five and ten year periods, the Fund's performance was above the Merrill Lynch Investment Grade Convertibles Index.

Based on this review and taking into account all of the other factors that the Board and the independent trustees considered in determining whether to continue the Advisory Agreement, the Board and the independent trustees concluded that no changes should be made to the Fund's investment objective or policies, or the portfolio management team.

Meetings with the Fund's portfolio manager and investment personnel — Both the Board and the independent trustees noted that they meet regularly with the Fund's portfolio manager and investment personnel, and believe that such individuals are competent and able to carry out their responsibilities under the Advisory Agreement.

Overall performance of Davis-Dinsmore — After considering the overall performance of Davis-Dinsmore in providing investment advisory and administrative services to the Fund, both the Board and the independent trustees concluded that such performance was satisfactory.

Fees relative to those of clients of Davis-Dinsmore with comparable investment strategies — Both the Board and the independent trustees noted that the Fund and Ellsworth Fund Ltd. (collectively, the "Funds") are the only clients of Davis-Dinsmore, and that the advisory fee rates for the Funds are the same. Both the Board and the independent trustees concluded that, because the fee rates are the same for the Funds, the current advisory fee rate of the Fund was fair as compared to the rate for Ellsworth Fund Ltd.

Fees relative to those of comparable funds with other advisors — After reviewing the advisory fee rate for the Fund against the advisory fee rates for funds advised by other advisors in the Fund's peer group both the Board and the independent trustees determined that the Fund's advisory fee rate was at approximately the median of the funds in its peer group, and concluded that the current advisory fee rate of the Fund was fair and reasonable.

Board Approval of Advisory Agreement (continued)

Expense limitations and fee waivers — Both the Board and the independent trustees noted that, although there are no contractual expense limitations or fee waivers in effect for the Fund, Davis-Dinsmore is very diligent in its efforts to keep expenses of the Fund as low as possible. Both the Board and the independent trustees also noted that the cost of compliance with regulatory initiatives was increasing. Both the Board and the independent trustees concluded that the current level of expenses for the Fund were fair and reasonable.

Breakpoints and economies of scale — Both the Board and the independent trustees reviewed the structure of the Fund's advisory fee under the Advisory Agreement, and noted that the fee includes one breakpoint when the Fund's assets reach \$100 million. Both the Board and the independent trustees noted that breakpoints had become effective for the Fund as a result of the Fund's rights offering that occurred during the 2004 fiscal year, which resulted in lower management fee expenses as a percentage of assets. Both the Board and the independent trustees concluded that the Fund's fee levels under the Advisory Agreement therefore reflect economies of scale and that it was not necessary to implement any further changes to the structure of the advisory fee for the Fund.

Profitability of Davis-Dinsmore — Both the Board and the independent trustees reviewed information concerning the profitability and financial condition of Davis-Dinsmore. In particular, the Board reviewed Davis-Dinsmore's financial statements including its statement of income and retained earnings, statement of cash flows, and audited balance sheet. The Board also reviewed Davis-Dinsmore's costs in providing services to the Funds. The Board noted that Davis-Dinsmore's sole source of revenue was fees from the Funds for providing advisory and administrative services to the Funds. The Board and the independent trustees noted that Davis-Dinsmore's operations remain profitable and that increasing the success of the Funds will positively impact Davis-Dinsmore's profitability.

Based on the review of the profitability of Davis-Dinsmore and its financial condition, both the Board and the independent trustees concluded that the compensation to be paid by the Fund to Davis-Dinsmore under the Advisory Agreement was not excessive.

Benefits of soft dollars to Davis-Dinsmore — Both the Board and the independent trustees discussed the fact that there are no third-party soft dollar arrangements in effect with respect to the Fund. Both the Board and the independent trustees recognized that Davis-Dinsmore does receive proprietary research from brokers with whom it executes portfolio transactions on behalf of the Fund. This research is used by Davis-Dinsmore in making investment decisions for the Fund. Both the Board and the independent trustees also considered representations made by Davis-Dinsmore that portfolio transactions received best execution. Because such research ultimately benefits the Fund, the Board and the independent trustees concluded that it was appropriate to receive proprietary research.

Davis-Dinsmore's financial soundness in light of the Fund's needs — Both the Board and the independent trustees considered whether Davis-Dinsmore is financially sound and has the resources necessary to perform its obligations under the Advisory Agreement, and concluded that Davis-Dinsmore has the financial resources necessary to fulfill its obligations under the Advisory Agreement.

Historical relationship between the Fund and Davis-Dinsmore — In determining whether to continue the Advisory Agreement for the Fund, both the Board and the independent trustees also considered the prior relationship among Davis-Dinsmore and the Fund, as well as the independent trustees' knowledge of Davis-Dinsmore's operations, and concluded that it was beneficial to maintain the current relationship, in part, because of such knowledge. Both the Board and the independent trustees also reviewed the general nature of the non-investment advisory services currently performed by Davis-Dinsmore, such as administrative services, and the fees received by Davis-Dinsmore for performing such services. In addition to reviewing such services, both the Board and the independent trustees also considered the organizational structure employed by Davis-Dinsmore to provide those services.

Board Approval of Advisory Agreement (continued)

Based on the review of these and other factors, both the Board and the independent trustees concluded that Davis-Dinsmore was qualified to provide non-investment advisory services to the Fund, including administrative services, and that Davis-Dinsmore currently is providing satisfactory non-investment advisory services to the Fund.

Other factors and current trends — Both the Board and the independent trustees considered the culture of compliance and high ethical standards at Davis-Dinsmore, and the efforts historically and currently undertaken by Davis-Dinsmore to engage in best practices. Both the Board and the independent trustees noted Davis-Dinsmore's historical adherence to compliance procedures, as well as the Fund's investment objectives, policies and restrictions. Both the Board and the independent trustees concluded that this commitment to adhere to the highest ethical standards was an important factor in their determination that they should approve the continuance of the Advisory Agreement for the Fund.

After considering all of the above factors and based on informed business judgment, the Board determined that the Advisory Agreement is in the best interests of the Fund and its shareholders and that the compensation to Davis-Dinsmore under the Advisory Agreement is fair and reasonable. As a result, the Board continued the Advisory Agreement.

Miscellaneous Notes

Automatic Dividend Investment and Cash Payment Plan

The Fund has an Automatic Dividend Investment and Cash Payment Plan (the “Plan”). Any shareholder may elect to join the Plan by sending an application to American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, NY 10269-0560 (the “Plan Agent”). You may also obtain additional information about the Plan as well as the Plan application by calling the Plan Agent toll free at (800) 937-5449. If your shares are held by a broker or other nominee, you should instruct the nominee to join the Plan on your behalf. Some brokers may require that your shares be taken out of the broker’s “street name” and re-registered in your own name. Shareholders should also contact their broker to determine whether shares acquired through participation in the Plan can be transferred to another broker, and thereafter, whether the shareholder can continue to participate in the Plan.

Under the Plan, all cash dividends and distributions are automatically invested in additional Fund shares. Depending on the circumstances, shares may either be issued by the Fund at net asset value or acquired through open market purchases at the current market price. When shares are acquired through open market purchases, the Plan Agent will combine your dividends with those of other Plan participants and purchase shares in the market, thereby taking advantage of the lower commissions on larger purchases. There is no other charge for this service. When shares are issued, the Fund will issue shares at the market price.

All dividends and distributions made by the Fund (including capital gain dividends and dividends designated as qualified dividend income, which are eligible for taxation at lower rates) remain taxable to Plan participants, regardless of whether such dividends and distributions are reinvested in additional shares of the Fund through open market purchases or through the issuance of new shares. Plan participants will be treated as receiving the cash used to purchase shares on the open market and, in the case of any dividend or distribution made in the form of newly issued shares, will be treated as receiving an amount equal to the fair market value of such shares as of the reinvestment date. Accordingly, a shareholder may incur a tax liability even though such shareholder has not received a cash distribution with which to pay the tax.

Plan participants may also voluntarily send cash payments of \$100 to \$10,000 per month to the Plan Agent, to be combined with other Plan monies, for purchase of additional Fund shares in the open market. You pay only a bank service charge of \$1.25 per transaction, plus your proportionate share of the brokerage commission. All shares and fractional shares purchased will be held by the Plan Agent in your dividend reinvestment account. You may deposit with the Plan Agent any share certificates of the Fund you hold, for a one-time fee of \$7.50.

At any time, a Plan participant may instruct the Plan Agent to liquidate all or any portion of such Plan participant’s account. To do so, a Plan participant must deliver written notice to the Plan Agent prior to the record date of any dividend or distribution requesting either liquidation or a share certificate. The Plan Agent will combine all liquidation requests it receives from Plan participants on a particular day and will then sell shares of the Fund that are subject to liquidation requests in the open market. The amount of proceeds a Plan participant will receive shall be determined by the average sales price per share, after deducting brokerage commissions, of all shares sold by the Plan Agent for all Plan participants who have given the Plan Agent liquidation requests.

The Plan Agent or the Fund may terminate the Plan for any reason at any time by sending written notice addressed to the Plan participant’s address as shown on the Plan Agent’s records. Following the date of termination, the Plan Agent shall send the Plan participant either the proceeds of liquidation, or a share certificate or certificates for the full shares held by the Plan Agent in the Plan participant’s account. Additionally, a check will be sent for the value of any fractional interest in the Plan participant’s account based on the market price of the Fund’s shares on that date.

Miscellaneous Notes (continued)

Notice of Privacy Policy

The Fund has adopted a privacy policy in order to protect the confidentiality of nonpublic personal information that we have about you. We receive personal information, such as your name, address and account balances, when transactions occur in Fund shares registered in your name.

We may disclose this information to companies that perform services for the Fund, such as the Fund's transfer agent or proxy solicitors. These companies may only use this information in connection with the services they provide to the Fund, and not for any other purpose. We will not otherwise disclose any nonpublic personal information about our shareholders or former shareholders to anyone else, except as required by law.

Access to nonpublic information about you is restricted to our employees and service providers who need that information in order to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

For More Information About Portfolio Holdings

In addition to the semi-annual and annual reports that the Fund delivers to shareholders and makes available through the Fund's public website, the Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the Fund's first and third fiscal quarters on Form N-Q. The Fund does not deliver the schedule of portfolio holdings for the first and third fiscal quarters to shareholders, however the schedule is posted to the Fund's public website, www.bancroftfund.com. You may obtain the Form N-Q filings by accessing the SEC's website at www.sec.gov. You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at (800) SEC-0330.

Proxy Voting Policies and Procedures / Proxy Voting Record

The Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities is available without charge, upon request, by calling (973) 631-1177, or at our website at www.bancroftfund.com. This information is also available on the SEC's website at www.sec.gov. In addition, information on how the Fund voted such proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge at the above sources.

The Fund is a member of the Closed-End Fund Association, a non-profit national trade association (www.cefa.com). Thomas H. Dinsmore is on the Executive Board and is the president of the association. *The association is solely responsible for the content of its website.*

Disclosure of Portfolio Holdings to Broker-Dealers

From time to time, brokers with whom the Fund's Adviser, Davis-Dinsmore Management Company, has a pre-existing relationship may request that Davis-Dinsmore disclose Fund portfolio holdings to such broker in advance of the public disclosure of such portfolio holdings. Davis-Dinsmore may make such disclosure under the following conditions: (i) the specific purpose of the disclosure is to assist Davis-Dinsmore in identifying potential investment opportunities for the Fund; (ii) prior to the receipt of nonpublic portfolio holdings, the broker, by means of e-mail or other written communication, shall agree to keep the nonpublic portfolio holdings confidential and not to use the information for the broker's own benefit, except in connection with the above described purpose for which it was disclosed; (iii) Davis-Dinsmore shall keep written records of its agreement with each broker to which it distributes nonpublic portfolio holdings; and (iv) Davis-Dinsmore will secure a new agreement with a broker any time the broker directs the nonpublic portfolio holdings to be sent to a new recipient.

Trustees

Each trustee is also a trustee of Ellsworth Fund Ltd. (Ellsworth) (a closed-end management investment company). Davis-Dinsmore Management Company (Davis-Dinsmore) is the Fund's investment adviser and is also the investment adviser to Ellsworth. Because of this connection, the Fund and Ellsworth make up a Fund Complex. Therefore, each trustee oversees two investment companies in the Fund Complex.

Personal Information	Principal Occupation(s) During Past Five Years; Other Directorship(s)
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INDEPENDENT TRUSTEES

Gordon F. Ahalt 65 Madison Avenue Suite 550 Morristown, NJ 07960 Term expires 2010 Trustee since 1982 Age 79	Retired. Trustee of Ellsworth and Helix Energy Solutions Group Inc. (an energy services company).
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Elizabeth C. Bogan, Ph.D. 65 Madison Avenue Suite 550 Morristown, NJ 07960 Term expires 2009 Trustee since 1990 Age 63	Senior Lecturer in Economics at Princeton University; Trustee of Ellsworth.
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Daniel D. Harding 65 Madison Avenue Suite 550 Morristown, NJ 07960 Term expires 2008 Trustee since 2007 Age 55	Since 2003, Senior Advisor with Harding Loevner Management LP (an investment advisory firm). Prior to 2003, co-founder and Chief Investment Officer at Harding Loevner Management LP; Trustee of Ellsworth.
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Nicolas W. Platt 65 Madison Avenue Suite 550 Morristown, NJ 07960 Term expires 2010 Trustee since 1997 Age 54	Since August 2006, Managing Director, Rodman & Renshaw, LLC (a full-service investment bank). Prior to August 2006, President of CNC-US (an international consulting company). Prior to January 2003, Senior Partner of Platt & Rickenbach (a public relations firm). Prior to May 2001, with WPP Group, UK and its public relations subsidiaries, Ogilvy Public Relations, Burson-Marsteller and Robinson Lehr Montgomery; Trustee of Ellsworth.
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INTERESTED TRUSTEES

Thomas H. Dinsmore, C.F.A. * 65 Madison Avenue Suite 550 Morristown, NJ 07960 Term expires 2008 Trustee since 1985 Chairman of the Board since 1996 Age 54	Chairman and Chief Executive Officer of the Fund, Ellsworth and Davis-Dinsmore; Trustee of Ellsworth and director of Davis-Dinsmore.
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Jane D. O'Keeffe * 65 Madison Avenue Suite 550 Morristown, NJ 07960 Term expires 2010 Trustee since 1995 Age 52	President of the Fund, Ellsworth and Davis-Dinsmore; Trustee of Ellsworth and director of Davis-Dinsmore.
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* Mr. Dinsmore and Ms. O'Keeffe are considered interested persons because they are officers and directors of Davis-Dinsmore. They are brother and sister.

Principal Officers

The business address of each officer is 65 Madison Avenue, Suite 550, Morristown, NJ 07960. Officers are elected by and serve at the pleasure of the Board of Trustees. Each officer holds office until the annual meeting to be held in 2008, and thereafter until his or her respective successor is duly elected and qualified.

Personal Information	Principal Occupation(s) During Past Five Years
Thomas H. Dinsmore, C.F.A. Trustee, Chairman and Chief Executive Officer Officer since 1986 Age 54	Trustee, Chairman and Chief Executive Officer of the Fund, Ellsworth and Davis-Dinsmore.
Jane D. O’Keeffe Trustee and President Officer since 1994 Age 52	Trustee and President of the Fund, Ellsworth and Davis-Dinsmore.
Gary I. Levine Executive Vice President, Chief Financial Officer and Secretary Officer since 1986 Age 50	Executive Vice President and Chief Financial Officer of the Fund, Ellsworth and Davis-Dinsmore since 2004. Secretary of the Fund, Ellsworth and Davis-Dinsmore since 2003. Treasurer of Davis-Dinsmore since 1997. Vice President of the Fund, Ellsworth and Davis-Dinsmore from 2002 until 2004. Treasurer of the Fund and Ellsworth from 1993 until 2004.
H. Tucker Lake, Jr. Vice President Officer since 1994 Age 60	Vice President of the Fund and Ellsworth since 2002, and of Davis-Dinsmore since 1997. Vice President, Trading, of the Fund and Ellsworth from 1994 to 2002.
Germaine M. Ortiz Vice President Officer since 1996 Age 38	Vice President of the Fund, Ellsworth and Davis-Dinsmore.
Mercedes A. Pierre Vice President and Chief Compliance Officer Officer since 1998 Age 46	Vice President and Chief Compliance Officer of the Fund, Ellsworth and Davis-Dinsmore since 2004, and Assistant Treasurer from 1998 to 2004.
Joshua P. Lake, C.T.P. Treasurer and Assistant Secretary Officer since 2002 Age 31	Treasurer of the Fund and Ellsworth since 2004. Assistant Secretary of the Fund, Ellsworth and Davis-Dinsmore since 2002. Assistant Treasurer of Davis-Dinsmore, also since 2002.

Mr. Dinsmore and Ms. O’Keeffe are brother and sister, and cousins of Mr. H. Tucker Lake and Mr. Joshua P. Lake. In addition, Mr. H. Tucker Lake is the father of Mr. Joshua P. Lake. Mr. Levine’s wife is the first cousin of Ms. Ortiz.

Board of Trustees

GORDON F. AHALT
ELIZABETH C. BOGAN Ph.D.
THOMAS H. DINSMORE, C.F.A.
DANIEL D. HARDING
JANE D. O'KEEFFE
NICOLAS W. PLATT

Officers

THOMAS H. DINSMORE, C.F.A.
*Chairman of the Board
and Chief Executive Officer*

JANE D. O'KEEFFE
President

GARY I. LEVINE
*Executive Vice President, Chief Financial Officer
and Secretary*

H. TUCKER LAKE, JR.
Vice President

GERMAINE M. ORTIZ
Vice President

MERCEDES A. PIERRE
Vice President and Chief Compliance Officer

JOSHUA P. LAKE, C.T.P.
Treasurer and Assistant Secretary

JAMES A. DINSMORE
Assistant Vice President

JOANN VENEZIA
Assistant Vice President and Assistant Secretary

Internet

www.bancroftfund.com
email: info@bancroftfund.com

Investment Adviser

Davis-Dinsmore Management Company
65 Madison Avenue, Suite 550
Morristown, NJ 07960
(973) 631-1177

Shareholder Services and Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
(800) 937-5449
www.amstock.com

Beneficial Share Listing

American Stock Exchange Symbol: BCV

Legal Counsel

Ballard Spahr Andrews & Ingersoll LLP

Independent Accountants

Tait, Weller & Baker LLP

Pursuant to Section 23 of the Investment Company Act of 1940, notice is hereby given that the Fund may in the future purchase its own shares from time to time, at such times, and in such amounts, as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares.

BANCROFT FUND LTD.
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