

Edgar Filing: BANCROFT FUND LTD - Form N-CSR

BANCROFT FUND LTD  
Form N-CSR  
December 26, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-02151  
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BANCROFT FUND LTD.

-----  
(Exact name of registrant as specified in charter)

65 Madison Avenue, Morristown, New Jersey 07960-7308  
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(Address of principal executive offices) (Zip code)

Thomas H. Dinsmore  
BANCROFT FUND LTD.  
65 Madison Avenue  
Morristown, New Jersey 07960-7308  
(Name and address of agent for service)

Copy to:  
Steven King, Esq.  
Ballard Spahr Andrews & Ingersoll, LLP  
1735 Market Street, 49th Floor  
Philadelphia, PA 19103-7599

Registrant's telephone number, including area code: (973)631-1177

Date of fiscal year end: October 31, 2007

Date of reporting period: October 31, 2007

ITEM 1. REPORTS TO STOCKHOLDERS.

BANCROFT FUND LTD.

2007 ANNUAL REPORT  
OCTOBER 31, 2007

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

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	Calendar YTD	1 Year	Annualized 5 Years	Annualized 10 Years	10 Year Volatility
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
		\$0.895	\$0.466	\$1.361	

\* 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

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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.

/s/Thomas H. Dinsmore  
 Thomas H. Dinsmore  
 Chairman of the Board

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 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 &  
 Morgan Stanley, Inc.)  
 NVIDIA Corp.  
 (exchangeable from IXIS Financial P  
 Reinsurance Group of America, Inc.  
 U.S. Bancorp  
 Vornado Realty Trust

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 Largest Investment Holdings by underlying common stock-----

	Value (Note 1) -----
Freeport-McMoRan Copper and Gold, Inc.....	\$3,837,600
Freeport-McMoRan is involved in mineral exploration and development,	

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mining, and milling of copper, gold and silver. The company is also involved in smelting and refining copper concentrates.

LSB Industries, Inc.....	3,420,000
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.	
Prudential Financial, Inc.....	3,083,550
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.	
The Walt Disney Company.....	3,040,625
Disney, an entertainment company, has operations that include media networks, studio entertainment, theme parks and resorts, consumer products, and Internet and direct marketing.	
Bristol-Myers Squibb Co.....	2,993,400
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.	
New York Community Bancorp, Inc.....	2,973,745
New York Community Bancorp is a multi-bank holding company that offers a full range of traditional and non-traditional products and services.	
Celanese Corp.....	2,955,700
Celanese is a global industrial chemicals company that processes raw materials and natural products into chemicals and chemical-based products.	
Chesapeake Energy Corp.....	2,939,020
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.	
Companhia Vale do Rio Doce.....	2,917,200
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.)	
Nabors Industries Ltd.....	2,736,206
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.)	
Total.....	\$30,897,046
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 MAJOR INDUSTRY EXPOSURE-----  
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Aerospace & Defense	3.8%
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Banking/Savings & Loan	6.1%	
Computer Hardware	5.3%	
Energy		14.3%
Health Care	4.2%	
Insurance		7.6%
Minerals and Mining	5.8%	
Pharmaceuticals		10.2%
Semiconductors		6.5%
Telecommunications	4.6%	

### 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

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Total Investments.....	\$129,498,812	137,329,141	98.4	99.9
	=====			
Other Assets, Net of Liabilities.....		2,251,075	1.6	0.1
		-----		-----
Total Net Assets.....		\$139,580,216	100.00%	100.00%
		=====	=====	=====

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 PORTFOLIO OF INVESTMENTS OCTOBER 31, 2007-----

Principal Amount		Identified Cost
-----		-----
	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
1,000,000	Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1).....	1,007,348
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).....	1,628,724
		-----
		4,171,880
		-----
	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).....	2,047,767
		-----
	Banking/Savings and Loan -- 2.1%	
1,000,000	PrivateBancorp, Inc. 3.625%, due 2027 cv. sr. notes (NR).....	1,000,000
2,000,000	U.S. Bancorp floating rate, due 2037 cv. sr. deb. (Aa2).....	1,980,803
		-----
		2,980,803
		-----
	Computer Hardware -- 5.3%	
1,000,000	C&D Technologies, Inc. 5.25%, due 2025 cv. sr. notes (NR).....	1,000,000
2,000,000	Credit Suisse, New York Branch 14.00%, due 2008 equity-linked notes (NR) (exchangeable for Corning Inc. common stock).....	2,000,000
1,000,000	EMC Corp. 1.75%, due 2011 cv. sr. notes (BBB+).....	1,029,116
1,000,000	EMC Corp. 1.75%, due 2013 cv. sr. notes (BBB+).....	1,031,875
1,000,000	Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR).....	1,000,000
		-----
		6,060,991
		-----
	Computer Software -- 3.0%	
1,000,000	Blackboard Inc. 3.25%, due 2027 cv. sr. notes (B-).....	1,000,000
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
1,500,000	Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (A1) (performance linked to Microsoft Corp. common stock) (1).....	1,599,138
		-----
		3,600,989

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	Consumer Goods -- 2.4%	
1,500,000	Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR).....	1,526,787
1,000,000	Church & Dwight Co., Inc. 5.25%, due 2033 cv. sr. deb. (Bal).....	1,000,000
		2,526,787
	Energy -- 5.7%	
1,000,000	Cameron International Corp. 2.50%, due 2026 cv. sr. notes (Baa1).....	991,739
1,500,000	Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) (1).....	1,594,643
1,500,000	Nabors Industries, Inc. 0.94%, due 2011 sr. exchangeable notes (A-) (exchangeable for Nabors Industries Ltd. common stock).....	1,493,284
1,225,000	Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR).....	1,453,186
1,250,000	Rentech, Inc. 4%, due 2013 cv. sr. notes (NR).....	1,250,000
500,000	USEC Inc. 3%, due 2014 cv. sr. notes (CCC).....	500,000
		7,282,852
	Financial Services -- 1.5%	
2,000,000	Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) (1).....	2,393,065

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PORTFOLIO OF INVESTMENTS OCTOBER 31, 2007 - continued

Principal Amount		Identified Cost
	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
500,000	LifePoint Hospitals, Inc. 3.25%, due 2025 cv. sr. sub. deb. (B2).....	477,605
475,000	LifePoint Hospitals, Inc. 3.50%, due 2014 cv. sub. notes (B).....	477,835
1,000,000	Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B2) (1).....	1,086,650
1,000,000	SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR).....	1,015,790
1,000,000	St. Jude Medical, Inc. 1.22%, due 2008 cv. sr. deb. (BBB+).....	1,004,063
		4,448,357
	Insurance -- 2.2%	
3,000,000	Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3)..	2,982,464
	Media and Entertainment -- 3.6%	
2,000,000	Gannett Co., Inc. floating rate, due 2037 cv. sr. notes (A3).....	1,993,036
2,500,000	The Walt Disney Company 2.125%, due 2023 cv. sr. notes (A2).....	2,644,799
		4,637,835
	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).....	1,018,232



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	Multi-Industry -- 2.9%	
750,000	Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR) (exchangeable for Verenum Corp. common stock).....	750,000
3,000,000	LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR) (Acquired 06/28/07; Cost \$3,000,000) (2).....	3,000,000
		-----
		3,750,000
		-----
	Pharmaceuticals -- 7.2%	
2,000,000	Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1) (exchangeable for Johnson & Johnson common stock).....	1,748,540
3,000,000	Bristol-Myers Squibb Co. floating rate, due 2023 cv. sr. deb. (A2).....	3,005,943
1,625,000	Mylan Inc. 1.25%, due 2012 sr. cv. notes (BB+).....	1,665,215
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
2,000,000	Wyeth floating rate, due 2024 cv. sr. deb. (A3).....	2,168,455
		-----
		10,076,068
		-----
	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).....	982,275
		-----
	Retail -- 0.8%	
1,500,000	Charming Shoppes, Inc. 1.125%, due 2014 sr. cv notes (BB-).....	1,491,719
		-----
	Semiconductors -- 6.5%	
2,500,000	Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (B+) (exchangeable for LSI Corp.).....	2,534,359
1,500,000	Cypress Semiconductor Corp. 1%, due 2009 cv. sr. notes (NR).....	1,520,469
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
2,000,000	Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) (1).....	2,005,064
		-----
		8,052,688
		-----

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PORTFOLIO OF INVESTMENTS OCTOBER 31, 2007 - continued -----

Principal Amount		Identified Cost
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CONVERTIBLE BONDS AND NOTES -- continued

	Telecommunications -- 4.1%	
\$1,000,000	Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-).....	\$ 1,118,967
2,000,000	Equinix, Inc. 2.5%, due 2012 cv. sub. notes (CCC+).....	2,214,633
1,000,000	General Cable Corp. 1%, due 2012 sr. cv. notes (B1).....	1,018,691
1,000,000	SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR).....	1,007,250
		-----
		5,359,541

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	Transportation -- 1.4%		
2,000,000	ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR).....	1,928,424	
	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	
	TOTAL CONVERTIBLE BONDS AND NOTES.....	\$ 76,818,843	
	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	
	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	
	Banking/Savings and Loan -- 4.0%		
59,179	New York Community Bancorp, Inc. 6% BONUSSES units (Baa1).....	2,992,817	
20,000	Sovereign Capital Trust IV 4.375% PIERS (Baa1) (exchangeable for Sovereign Bancorp, Inc. common stock) (1).....	1,212,458	
40,000	Washington Mutual Capital Trust 5.375% PIERS units (A3) (exchangeable for Washington Mutual, Inc. common stock).....	2,167,900	
		6,373,175	
	Chemicals -- 2.1%		
55,000	Celanese Corp. 4.25% cv. perpetual pfd. (NR).....	1,344,391	
	Energy -- 2.7%		
25,000	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+).....	2,566,320	
20,000	PetroQuest Energy, Inc. 6.875% cum. cv. perpetual pfd. (NR).....	1,000,000	
		3,566,320	
	Telecommunications -- 0.5%		
100	Medis Technologies Ltd. 7.25% series A cum. cv. perpetual pfd. (NR)....	1,000,000	
	TOTAL CONVERTIBLE PREFERRED STOCKS.....	\$ 13,283,886	
	MANDATORY CONVERTIBLE SECURITIES -- 24.0% (4)		
	Chemicals -- 0.7%		
20,000	Huntsman Corp. 5%, due 02/16/08 mandatory cv. pfd. (NR).....	901,000	
	Consumer Goods -- 1.3%		
1,750	The Stanley Works floating rate, due 05/17/12 equity units (A2).....	1,793,773	

PORTFOLIO OF INVESTMENTS OCTOBER 31, 2007 - continued

Shares		Identified Cost
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
1,000	Chesapeake Energy Corp. 6.25%, due 06/15/09 mandatory cv. pfd. (B+)....	250,000
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
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
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
		7,777,752
Financial Services -- 0.8%		
70,000	E*TRADE Financial Corp. 6.125%, due 11/18/08 equity units (Ba3).....	1,920,159
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
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
Insurance -- 5.4%		
4,000	Alleghany Corp. 5.75%, due 06/15/09 mandatory cv. pfd. (BBB-).....	1,058,400
75,000	Citigroup Funding Inc. variable rate, due 10/27/08 exchangeable notes (Aa1) (exchangeable for Genworth Financial, Inc. common stock).....	2,212,500
80,000	MetLife, Inc. 6.375%, due 08/15/08 common equity units (BBB+).....	2,084,000
52,500	XL Capital Ltd. 7%, due 02/15/09 equity security units (A3).....	1,357,023
		6,711,923
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
30,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR)	

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	(exchangeable for Companhia Vale do Rio Doce ADS).....	1,534,600
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
		-----
		4,460,375
		-----
	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
9,500	Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3).....	2,375,000
		-----
		5,375,001
		-----
	TOTAL MANDATORY CONVERTIBLE SECURITIES (4).....	\$ 31,723,165
		-----

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PORTFOLIO OF INVESTMENTS OCTOBER 31, 2007 - continued -----

Shares		Identified Cost
-----		-----
	COMMON STOCKS -- 0.8%	
	Aerospace and Defense -- 0.0%	
4,696	Ionatron, Inc. (5).....	\$ 16,250
		-----
	Foods -- 0.8%	
18,435	General Mills, Inc.....	1,058,000
		-----
	TOTAL COMMON STOCKS.....	1,074,250
		-----
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
		-----
	Total Convertible Bonds and Notes -- 59.2%.....	\$ 76,818,843
	Total Corporate Bonds and Notes -- 1.1%.....	1,500,000
	Total Convertible Preferred Stocks -- 9.6%.....	13,283,886
	Total Mandatory Convertible Securities -- 24.0%.....	31,723,165
	Total Common Stocks -- 0.8%.....	1,074,250
	Total Short-Term Securities -- 3.7%.....	5,098,668
		-----
	Total Investments -- 98.4%.....	\$129,498,812

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Other assets and liabilities, net -- 1.6%.....  
 Total Net Assets -- 100.0%.....

- (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.  
 BONUSSES 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

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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.....	140,854,985
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.....	1,274,769
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.....	7,830,329
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.....	2,431,274
Total Income	6,022,012
Expenses (Note 2):	
Management fee.....	912,823
Custodian.....	20,135
Transfer agent.....	28,047

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Audit fees.....	34,700
Legal fees.....	135,543
Trustees' fees.....	107,625
Reports to shareholders.....	38,175
Administrative services fees.....	60,626
Other.....	88,321
	-----
Total Expenses.....	1,425,995
	-----
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.....	2,263,067
	-----
Net gain on investments.....	13,764,036
	-----
Net Increase in Net Assets Resulting from Operations.....	\$ 18,360,053
	=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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STATEMENTS OF CHANGES IN NET ASSETS-----		
FOR THE YEARS ENDED OCTOBER 31, 2007 AND 2006		
	2007	2006
	-----	-----
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.....	2,263,067	1,251,584
	-----	-----
Net increase in net assets resulting from operations...	18,360,053	12,964,651
	-----	-----
Distributions to shareholders from:		
Net investment income.....	(5,102,460)	(4,395,566)
Net realized gain on investments.....	(2,621,312)	--
	-----	-----
Total distributions.....	(7,723,772)	(4,395,566)
	-----	-----
Capital share transactions (Note 3).....	2,097,228	655,492
	-----	-----
Change in net assets.....	12,733,509	9,224,577
Net assets at beginning of period.....	126,846,707	117,622,130
	-----	-----
Net assets at end of period.....	\$139,580,216	\$126,846,707
	=====	=====
Undistributed net investment income at end of period....	\$ 236,184	\$ 742,627

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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.

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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



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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:

	2007	2006
Ordinary Income	\$5,102,460	\$4,395,566
Net Realized Gain on Investments	2,621,312	---
	\$7,723,772	\$4,395,566
	=====	=====

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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	(6,108,487)
	-----
Net unrealized appreciation	7,726,765
	-----
Undistributed ordinary income	3,868,336
Undistributed capital gains	8,581,821
	-----
Total distributable earnings	12,450,157
	-----
Total accumulated earnings	\$ 20,176,922
	=====
Cost for federal income tax purposes	\$129,602,376
	=====

(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

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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.

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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.

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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					

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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

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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

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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

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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

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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.

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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

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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.

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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

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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



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trustees also considered the organizational structure employed by Davis-Dinsmore to provide those services.

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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.

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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.

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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

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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.

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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

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you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

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### 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](http://www.bancroftfund.com). You may obtain the Form N-Q filings by accessing the SEC's website at [www.sec.gov](http://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.

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### 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](http://www.bancroftfund.com). This information is also available on the SEC's website at [www.sec.gov](http://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.

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The Fund is a member of the Closed-End Fund Association, a non-profit national trade association ([www.cefa.com](http://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.

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### 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.

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### -----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.

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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 Adviser 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'Keefe \*  
65 Madison Avenue

President of the Fund, Ellsworth and Davis-Dinsmore; Trustee of Ellsworth and

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Suite 550  
Morristown, NJ 07960  
Term expires 2010  
Trustee since 1995  
Age 52

director of Davis-Dinsmore.

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\* Mr. Dinsmore and Ms. O'Keefe are considered interested persons because they are officers and directors of Davis-Dinsmore. They are brother and sister.

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-----PRINCIPAL OFFICERS-----  
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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.

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Personal Information Principal Occupation(s) During Past Five Years  
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Thomas H. Dinsmore, C.F.A. Chairman and Chief Executive Officer of the Fund, Ellsworth and Davis-Dinsmore; Trustee of Ellsworth and director of Davis-Dinsmore.  
Trustee, Chairman and Chief Executive Officer since 1986  
Age 54

Jane D. O'Keefe President of the Fund, Ellsworth and and Davis-Dinsmore; Trustee of Ellsworth and director of Davis-Dinsmore.  
Trustee and President Officer since 1994  
Age 52

Gary I. Levine 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.  
Executive Vice President, Chief Financial Officer and Secretary Officer since 1986  
Age 50

H. Tucker Lake, Jr. 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.  
Vice President Officer since 1994  
Age 60

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Germaine M. Ortiz Vice President of the Fund, Ellsworth and Davis-Dinsmore.  
Vice President

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Officer since 1996  
Age 38

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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.

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Mr. Dinsmore and Ms. O'Keefe 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.

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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

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

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

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

JANE D. O'KEEFFE  
President

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

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

BENEFICIAL SHARE LISTING  
American Stock Exchange Symbol: BCV

H. TUCKER LAKE, JR.  
Vice President

LEGAL COUNSEL  
Ballard Spahr Andrews & Ingersoll, LLP

GERMAINE M. ORTIZ  
Vice President

INDEPENDENT ACCOUNTANTS  
Tait, Weller & Baker LLP

MERCEDES A. PIERRE  
Vice President and  
Chief Compliance Officer

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

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JAMES A. DINSMORE  
Assistant Vice President

JOANN VENEZIA  
Assistant Vice President and  
Assistant Secretary

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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.  
65 MADISON AVENUE, SUITE 550  
MORRISTOWN, NEW JERSEY 07960  
www.bancroftfund.com

[LOGO]  
AMERICAN  
STOCK EXCHANGE  
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LISTED  
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BCV(TM)

## ITEM 2. CODE OF ETHICS.

The Board of Trustees of the Fund has adopted a code of ethics that applies to the Fund's principal executive officer and principal financial officer. See attached Exhibit EX-99.CODE ETH.

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Trustees determined that Trustee Daniel D. Harding, who is "independent" as such term is used in Form N-CSR, possesses the attributes required to be considered an audit committee financial expert under applicable federal securities laws.

## ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Set forth in the table below are the aggregate fees billed to the Fund by Tait, Weller & Baker LLP ("Tait Weller") for services rendered to the Fund during the Fund's last two fiscal years ended October 31, 2007 and 2006.

Fiscal YE October 31	Audit Fees	Audit-Related Fees (1)	Tax Fees (2)	All Other Fees
2006	\$31,000	\$ 0	\$2,600	\$0
2007	\$32,000	\$ 0	\$2,700	\$0

(1) All Audit-Related Fees were pre-approved by the Fund's Audit Committee. No Audit-Related Fees were approved by the Fund's Audit Committee pursuant to section 2.01(c)(7)(i)(C) of Regulation S-X, which waives the pre-approval requirement for certain de minimus fees.

(2) "Tax Fees" include those fees billed by Tait Weller in connection with

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their review of the Fund's income tax returns for fiscal years 2006 and 2007. All Tax Fees were pre-approved by the Fund's Audit Committee. No Tax Fees were approved by the Fund's Audit Committee pursuant to section 2.01(c)(7)(i)(C) of Regulation S-X, which waives the pre-approval requirement for certain de minimus fees.

### Non-Audit Services

During each of the last two fiscal years ended October 31, 2006 and October 31, 2007, Tait Weller did not provide any non-audit services to the Fund, with the exception of the services for which the Fund paid the Tax Fees noted above. Tait Weller did not provide any non-audit services to the Fund's investment adviser, Davis-Dinsmore Management Company ("Davis-Dinsmore") or its affiliates or otherwise bill the Fund or Davis-Dinsmore or its affiliates for any such non-audit services.

### Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and permissible non-audit services that are proposed to be provided to the Fund by its independent registered public accountants before they are provided to the Fund. Such pre-approval also includes the proposed fees to be charged by the independent registered public accountants for such services. The Audit Committee may delegate the pre-approval of audit and permissible non-audit services and related fees to one or more members of the Audit Committee who are "independent," as such term is used in Form N-CSR. Any such member's decision to pre-approve audit and/or non-audit services and related fees shall be presented to the full Audit Committee, solely for informational purposes, at their next scheduled meeting.

The Audit Committee also pre-approves non-audit services to be provided by the Fund's independent registered public accountants to the Fund's investment adviser if the engagement relates directly to the operations and financial reporting of the Fund and if the Fund's independent auditors are the same as, or affiliated with, the investment adviser's auditors.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

(a) The Fund has a designated Audit Committee in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934 (the "Exchange Act") and the members of such committee are:

ELIZABETH C. BOGAN, PH.D.

DANIEL D. HARDING

GORDON F. AHALT

(b) Not applicable.

### ITEM 6. SCHEDULE OF INVESTMENTS.

The Schedule of Investments in securities of unaffiliated issuers is included as part of the report to shareholders, filed under Item 1 of this Form.

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

Bancroft Fund Ltd.  
Ellsworth Fund Ltd.  
Davis-Dinsmore Management Company



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## Proxy Voting Guidelines

(Adopted April 16, 2007)

These proxy voting guidelines have been adopted by the Boards of Trustees of Bancroft Fund Ltd. and Ellsworth Fund Ltd. (collectively, the "Funds"), as well as by the Board of Directors of Davis-Dinsmore Management Company ("Davis-Dinsmore").

The Boards of Trustees of the Funds have delegated to Davis-Dinsmore responsibility for voting proxies received by the Funds in their capacities as shareholders of various companies. The Boards recognize that, due to the nature of the Funds' investments, the Funds do not frequently receive proxies.

Davis-Dinsmore exercises its voting responsibility with the overall goal of maximizing the value of the Funds' investments. The portfolio managers at Davis-Dinsmore oversee the voting policies and decisions for the Funds. In evaluating voting issues, the portfolio managers may consider information from many sources, including management of a company presenting a proposal, shareholder groups, research analysts, and independent proxy research services.

Set forth below are the proxy voting guidelines:

### A. Matters Related to the Board of Directors

1. The Funds generally will support the election of nominees recommended by management for election as directors. In determining whether to support a particular nominee, Davis-Dinsmore will consider whether the election of that nominee will cause a company to have less than a majority of independent directors.

2. The Funds generally will support proposals to de-classify boards of directors if fewer than 66 2/3% of the directors are independent, and will generally vote against proposals to classify boards of directors.

3. The Funds generally will withhold a vote in favor of a director who has served on a committee which has approved excessive compensation arrangements or proposed equity-based compensation plans that unduly dilute the ownership interests of stockholders.

### B. Matters Related to Independent Auditors

1. The Funds generally will vote in favor of independent accountants approved by the company. Prior to such vote, however, Davis-Dinsmore will take into consideration whether non-audit fees make up more than 50 to 75% of the total fees paid by the company to the independent auditors, and the nature of the non-audit services provided.

### C. Corporate Governance Matters

1. Except as provided in Section E.1, as a general rule, the Funds will vote against proposals recommended by management of a company that are being made primarily to implement anti-takeover measures, and will vote in favor of proposals to eliminate policies that are primarily intended to act as anti-takeover measures.

2. Subject to the other provisions of these guidelines, including without limitation provision C.1. above, the Funds generally will vote in accordance with management's recommendations regarding routine matters, including the following:

- a. Fixing number of directors;

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b. Stock splits; and

c. Change of state of incorporation for specific corporate purposes.

### D. Matters Related to Equity-Based Compensation Plans

1. The Fund generally will vote in favor of broad-based stock option plans for executives, employees or directors which would not increase the aggregate number of shares of stock available for grant under all currently active plans to over 10% of the total number of shares outstanding.

2. The Funds generally will vote in favor of employee stock purchase plans and employee stock ownership plans permitting purchase of company stock at 85% or more of fair market value.

### E. Contested Matters

1. Contested situations will be evaluated on a case by case basis by the portfolio manager or analyst at Davis-Dinsmore principally responsible for the particular portfolio security.

### F. Miscellaneous Matters

1. The Funds may in their discretion abstain from voting shares that have been recently sold.

2. The Funds generally will abstain from voting on issues relating to social and/or political responsibility.

3. Proposals that are not covered by the above-stated guidelines will be evaluated on a case by case basis by the portfolio manager or analyst at Davis-Dinsmore principally responsible for the particular portfolio security.

### G. Material Conflicts of Interest

1. Conflicts of interest may arise from time to time between Davis-Dinsmore and the Funds. Examples of conflicts of interests include:

a. Davis-Dinsmore may manage a pension plan, administer employee benefit plans, or provide services to a company whose management is soliciting proxies;

b. Davis-Dinsmore or its officers or directors may have a business or personal relationship with corporate directors, candidates for directorships, or participants in proxy contests;

c. Davis-Dinsmore may hold a position in a security contrary to shareholder interests.

2. If a conflict of interest arises with respect to a proxy voting matter, the portfolio manager will promptly notify the Funds' Audit Committee and counsel for independent trustees and the proxies will be voted in accordance with direction received from the Audit Committee.

### H. Amendments

1. Any proposed material amendment to these Guidelines shall be submitted for review and approval to:

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a. the Funds' Board of Trustees, including a majority of the disinterested trustees; and

b. the Adviser's Board of Directors.

2. Non-material amendments to these Guidelines may be made by the Chair of the Funds, upon consultation with counsel to the Funds and the Funds' Chief Compliance Officer, and will be reported to the Funds' Board of Trustees at their next scheduled in-person meeting.

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

(a) (1) Mr. Thomas H. Dinsmore, Chairman and Chief Executive Officer, serves as the Portfolio Manager of the Registrant. He has served in that capacity since 1996. This information is as of December 26, 2007. Mr. Dinsmore usually receives investment recommendations from a team of research analysts prior to making investment decisions about transactions in the portfolio.

(2) The following table provides information relating to other (non-registrant) accounts where this portfolio manager is primarily responsible for day-to-day management as of October 31, 2007. The portfolio manager does not manage such accounts or assets with performance-based advisory fees, or other pooled investment vehicles.

Portfolio Manager	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
-----	-----	-----	-----
Thomas H. Dinsmore	Number: 1	n/a	n/a
	Assets: \$122,239,958	n/a	n/a

Mr. Dinsmore is the Portfolio Manager of one other account, Ellsworth Fund Ltd. (Ellsworth), a registered investment company with total net assets of \$122,239,958 as of October 31, 2007. Mr. Dinsmore is Chairman and Chief Executive Officer of Ellsworth. This information is as of October 31, 2007. The Registrant and Ellsworth have similar investment objectives and strategies. As a result, material conflicts of interest may arise between the two funds if a security is not available in a sufficient amount to fill open orders for both funds. To deal with these situations, the investment adviser for the Registrant and Ellsworth has adopted Trade Allocation Procedures (the "Allocation Procedures"). The Allocation Procedures set forth a method to allocate a partially filled order among the funds. Pursuant to the method, the amount of shares that each fund purchases is allocated pro rata based on the dollar amount of each fund's intended trade or, if the order is subject to a minimum lot size, as closely as possibly to pro rata.

The Allocation Procedures permit the adviser to allocate an order in a way that is different from the method set forth above if (i) each fund is treated fairly and equitably and neither fund is given preferential treatment, and (ii) the allocation is reviewed by the adviser's chief compliance officer.

(3) This information is as of October 31, 2007. The Portfolio Manager is compensated by Davis-Dinsmore Management Company, the Adviser, through a three-component plan, consisting of a fixed base salary, annual cash bonus, and benefit retirement plan. His compensation is reviewed and approved by the Adviser's Board of Directors annually. His compensation may be adjusted from year to year based on the perception of the Adviser's Board of Directors of the portfolio manager's overall performance and his management responsibilities. His compensation is not based on (i) a formula specifically tied to the performance of the Registrant or Ellsworth, including performance against an

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index, or (ii) the value of assets held in the Registrant's portfolio.

(4) As of October 31, 2007, Mr. Dinsmore's beneficial ownership in the Registrant's shares was in the range of \$100,001-\$500,000.

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

During the period covered by this report, there were no purchases made by or on behalf of the registrant or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act (17 CFR 240.10b-18(a)(3)), of shares or other units of any class of the registrant's equity securities that is registered by the registrant pursuant to Section 12 of the Exchange Act (15 U.S.C. 781).

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant's board of trustees since those procedures were last disclosed in response to the requirements of Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101), or this Item 10 of Form N-CSR.

### ITEM 11. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) As of November 28, 2007, an evaluation was performed under the supervision and with the participation of the officers of Bancroft Fund Ltd. (the "Registrant"), including the Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures, as that term is defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act"), as amended. Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of November 28, 2007, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.

(b) There have been no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the Registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS

(a)(1) A code of ethics that applies to the Fund's principal executive officer and principal financial officer is attached hereto.

(a)(2) Certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto.

(a)(3) There were no written solicitations to purchase securities under Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.

(b) Certifications of the principal executive officer and the principal

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financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940 are attached hereto.

### SIGNATURES

Pursuant to the requirements of the Securities and 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.

Bancroft Fund Ltd.

By: /s/Thomas H. Dinsmore  
Thomas H. Dinsmore  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: December 26, 2007

Pursuant to the requirements of the Securities and 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/Thomas H. Dinsmore  
Thomas H. Dinsmore  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: December 26, 2007

By: /s/Gary I. Levine  
Gary I. Levine  
Chief Financial Officer  
(Principal Financial Officer)

Date: December 26, 2007