ROYCE FOCUS TRUST INC
Form N-CSR
March 03, 2004

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: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

Address of Registrant: 1414 Avenue of the Americas
New York, NY 10019

Name and address of agent for service: John E. Denneen, Esquire
1414 Avenue of the Americas
New York, NY 10019

Registrant s telephone number, including area code: (212) 486-1445
Date of fiscal year end: December 31
Date of reporting period: July 1, 2003 December 31, 2003

Item 1: Reports to Shareholders

2003 Annual Report

THE
ROYCE
FUNDS

Value Investing In Small Companies
For More Than 25 Years

ROYCE VALUE TRUST

ROYCE MICRO-CAP TRUST

ROYCE FOCUS TRUST

www.roycefunds.com

A FEW WORDS ON CLOSED-END FUNDS

Royce & Associates, LLC manages three closed-end funds: Royce Value Trust, the first small-cap value closed-end fund offering; Royce Micro-Cap Trust, the only micro-cap closed-end fund; and Royce Focus Trust, a closed-end fund that invests in a limited number of domestic companies.

A closed-end fund is an investment company whose shares are listed on a stock exchange or are traded in the over-the-counter market. Like all investment companies, including open-end mutual funds, the assets of a closed-end fund are professionally managed in accordance with the investment objectives and policies approved by the fund's Board of Directors. A closed-end fund raises cash for investment by issuing a fixed number of shares through initial and other public offerings which may include periodic rights offerings. Proceeds from the offerings are invested in an actively managed portfolio of securities. Investors wanting to buy or sell shares of a publicly traded closed-end fund after the offerings must do so on a stock exchange or the Nasdaq market, as with any publicly traded stock. This is in contrast to open-end mutual funds, where the fund sells and redeems its shares on a continuous basis.

A Closed-End Fund Offers Several Distinct Advantages Not Available From An Open-End Fund Structure

- Since a closed-end fund does not issue redeemable securities or offer its securities on a continuous basis, it does not need to liquidate securities or hold uninvested assets to meet investor demands for cash redemptions, as an open-end fund must.

- In a closed-end fund, not having to meet investor redemption requests or invest at inopportune times is ideal for value managers who attempt to buy stocks when prices are depressed and sell securities when prices are high.

- A closed-end fund may invest more freely in less liquid portfolio securities because it is not subject to potential stockholder redemption demands. This is particularly beneficial for Royce-managed closed-end funds, which invest in small- and micro-cap securities.

- The fixed capital structure allows permanent leverage to be employed as a means to enhance capital appreciation potential.

- Unlike open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. Each of the Funds has adopted a quarterly distribution policy for its common stock.

We believe that the closed-end fund structure is very suitable for the long-term investor who understands the benefits of a stable pool of capital.

Why Dividend Reinvestment Is Important

A very important component of an investors total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 13, 15 and 17. For additional information on the Funds Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see page 11.

Annual Report Reference Guide

For more than 25 years, our approach has focused on evaluating a companys current worth our assessment of what we believe a knowledgeable buyer might pay to acquire the entire company, or what we think the value of the company should be in the stock market. This analysis takes into consideration a number of relevant factors, including the companys future prospects. We select these securities using a risk-averse value approach, with the expectation that their market prices should increase

toward our estimate of their current worth, resulting in capital appreciation for Fund investors.

NAV AVERAGE ANNUAL TOTAL RETURNS Through December 31, 2003

FUND	4TH QUARTER 2003*	JUL-DEC 2003*	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	INCEPTION DATE
Royce Value Trust	13.38%	23.75%	40.80%	11.04%	12.25%	12.64	12.37%	11/26/86
Royce Micro-Cap Trust	15.58	30.36	55.55	18.28	15.64	14.27	14.22	12/14/93
Royce Focus Trust	16.44	30.06	54.33	14.11	14.34	n.a.	12.28	11/1/96**
Russell 2000	14.52	24.92	47.25	6.27	7.13	9.47		

Royce Value Trust's 15-year NAV average annual total return for the period ended 12/31/03 was 13.27%.

The Funds' recent performance was achieved during a period of high returns for small- and micro-cap stocks, and it is not likely that this level of returns will continue in the future.

*Not annualized.

**Date Royce & Associates, LLC assumed investment management responsibility.

Letter To Our Stockholders

Charles M. Royce, *President*

Although none of our closed-end funds concentrate solely on dividend-paying stocks, we think highly of the value of dividends here at The Royce Funds. We think that the old adage of Ben Graham and David Dodd, that the primary purpose of a business is to pay dividends to its owners, in many ways still holds true today. Why do we and two of the Founding Fathers of value investing put so much stock in the payment of dividends? The most obvious reason is that, with rare exceptions, companies that pay dividends are almost always profitable businesses. Companies can choose to reinvest their earnings, pay them out as dividends or reinvest a portion and pay out the rest, but the fact remains that payment of a dividend is an important measure of profitability.

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Curb Your Enthusiasm

2003 will likely enter the annals of stock market history as one of the more successful years for equities in recent times. Unlike the days of stratospheric returns for large-cap and/or Technology issues that characterized the late 90s, the past year embraced large and small stocks alike, a tide of more or less steadily rising prices that seemed to lift nearly every boat which the market deemed seaworthy. Such a year was especially welcome to investors following the long and dreary bear market that began in March 2000. Yet to many observers, this long-anticipated recovery emerged slowly, almost subtly, from the wings of the bears prolonged turn on the equity stage. The rebound actually began in early October 2002, when the major indices the S&P 500, Russell 2000 and Nasdaq Composite reached their most recent lows. Yet 2002 was a year of negative performance for the majority of stocks, and the brief rally that carried the market through October and November fizzled in December and did not regain its momentum until March of 2003.

Much of this can be attributed to a sluggish economy and the anxious days preceding the war with Iraq. The initial reports out of Baghdad seemed to indicate that our militarys efforts were not meeting with the unqualified success that many of us had expected. Yet once it became clear that these reports were erroneous and that the U.S. was on its way to a relatively fast victory, the stock market responded generously. For each index, April and May were two of the three strongest performing months of 2003. By fall, news of strong GDP growth and stable levels of unemployment provided any additional fuel that may have been needed to

keep the rally running, and run it did, right through the beginning of 2004. **Even the stunning news of illegal and unethical profiteering on the part of certain mutual fund companies that permitted late trading and market timing did not slow the markets furious ascent. The only unanswered questions appeared to be, how much longer would the rally run and how much higher would returns climb before a correction occurred?**

With the economy seeming to grow stronger each day, the international situation stabilizing somewhat (at least as of this writing) and reports of new mutual fund scandals subsiding (for now, anyway), we would understand anyone who felt that the past fifteen months have heralded only the beginning of an extended period of high returns. We simply would not agree. Like many experienced value investors, we habitually get a little tense whenever stock market returns run up virtually unimpeded for months at a time. It simply goes against the grain of what we have learned in three-plus decades of investing. We are not calling for a return to the bear market environment that lasted from March 2000 through October 2002, but we also do not see the direction of the market racing consistently upward. **Just as we argued at the end of last year that the market was not**

as bad as it looked, we would now submit that the market is not quite as vigorous as it appears. We think that it is entirely rational to be exuberant about 2003s high returns, but that similar sentiments should not apply to 2004 and beyond because no one really knows what the markets next move will be. So before the heralds rush forth announcing that all is well because the bears (and the folks delivering subpoenas) have all left the building, we would advise investors to curb their enthusiasm.

Smallville

We are aware and not unhappily that a look at both the short- and long-term returns for small-cap stocks through the end of 2003 may make our plea to curb ones enthusiasm sound a bit silly. **Our asset class once again finished the year ahead of its large-cap counterpart, with the Russell 2000 up 47.3% versus 28.7% for the S&P 500. It marked the fifth consecutive year that the Russell 2000 outperformed the S&P 500, in spite of the fact that 2003 was the large-cap indexs best calendar year of performance since 1998.** The small-cap index also held a performance advantage over its large-cap sibling from the October 2002 market lows and for the three-year and five-year periods ended 12/31/03. The resurgent equity market gave a boost to the Nasdaq Composite as well. It bested both the S&P 500 and the Russell 2000 in 2003 with a 50.0% return.

The rally has so far favored two kinds of stocks that historically have not been the first coursers out of the gate at the onset of a bull market Technology and micro-cap stocks. Their strong performances, especially the latters, helped the Russell 2000 to enjoy its best calendar-year performance since the index's inception on 12/31/78.

So before the heralds rush forth announcing that all is well because the bears (and the folks delivering subpoenas) have all left the building, we would advise investors to curb their enthusiasm.

Another reason for our affection is that consistent dividend payouts help to reduce volatility by providing an investor with a steady stream of income. This is arguably a more significant benefit for small-cap stocks than it is for their larger siblings because the diminutive

While this was terrific news for small-cap investors like ourselves, we are somewhat leery of the reversal of what we regard as the typical order of market rallies. Although Technology stocks suffered more than any other equity sector during the bear market making them arguably ripe for a rally it does not stand to reason that their previous travails made it necessary for them to *lead* a subsequent rebound for stocks. **Most bear markets have ended with a flight to quality.**

stature of small companies often makes them inherently more volatile. We also believe that having money upfront, or cash in hand, offers advantages as well. While this is true in any market climate, it can be especially crucial in low- or negative-return environments when stock prices are stalling or tumbling.

Within the realm of small-cap stocks, the search for dividend-paying companies can be quite interesting because many small-cap investors have been led to believe that such companies cannot be found. Investors (especially institutional investors) utilizing a dividend-discount model those searching for total return, or a combination of long-term growth and current income are trained to look almost

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Historically, investors begin to flock, sometimes slowly, to companies with solid records of earnings or other indicators of underlying quality. We are not sure what has made the current rally unique in this regard, but its peculiar start is another reason why we think that we have not entered a sustainable period of high returns for stocks.

EVERYBODY LOVES VALUE

One might expect that a rally led by two of the more volatile segments of the market would mean bad news for value stocks, even those in the micro-cap sector. We are happy to report that this was not quite the case in 2003. Tech and micro-cap led the way, but equities as a whole performed well. Value stocks began to come on later in the year, especially in the fourth quarter, in which the Russell 2000 Value index outpaced the Russell 2000 Growth index, 16.4% versus 12.7%. This strong fourth-quarter push allowed the small-cap value index to narrow the performance gap with growth, as small-cap value was up 46.0% in 2003 versus 48.5% for small-cap growth. Small-cap growths outperformance period included an unusual first quarter in which returns for both indices were negative. If one needed any further proof that 2003 was an odd year, we would call their attention to the fact that small-cap value lost ground to growth in the first quarter decline and then gained ground against it during the fourth quarter upswing. Strange days indeed.

As dubious as we are about the long-term viability of the current rally, we were cheered by the strong showing turned in by small-cap value stocks late in the year and throughout the 15-month rally. In fact, stretching back to the early days of the bear market in March 2000, small-cap value has performed well both on an absolute and relative basis. From the small-cap market peak on 3/9/00 through 12/31/03, the Russell 2000 Value index was up 73.1% versus a loss of 44.2% for the Russell 2000 Growth index. Although better down market returns in the bear-market period between March 2000 and October 2002 were a critical component of small-cap values edge during the current market cycle, perhaps equally important has been small-cap value's participation in the rally. From the small-cap market low on 10/9/02 through 12/31/03, the Russell 2000 Value index was up 69.8% versus a gain of 76.7% for its growth counterpart, which means that during this time, small-cap value captured 91% of small-cap growth's upward surge. **The strong down-market performance of small-cap value combined with the competitive returns that it has turned in during the market's recovery helped small-cap value to hold a performance edge for the three-, five-, 10-, 15-, 20- and 25 -year periods ended 12/31/03.**

Still Standing

Small-cap value's solid performance benefited *The Royce Funds*, as did healthy returns by Technology and micro-cap stocks. In fact, each portfolio's relative weightings in micro-caps, Technology stocks and more traditional value issues greatly influenced 2003's returns. Micro-Cap Trust and Focus Trust portfolios with relatively heavier weightings in at least one of the first two areas enjoyed the highest calendar-year returns and outperformed the Russell 2000 for the year. However, we were very pleased with the performance of all three of our closed-end funds in 2003. Although besting the benchmark remains a worthy goal for each portfolio, we would rather see strong absolute performances for the funds, and 2003 provided plenty of that. **More importantly from our perspective, all of *The Royce Funds* in this report outperformed the Russell 2000 from its peak on 3/9/00, as well as for the applicable three-, five- and 10-year periods ended 12/31/03. We are more interested in the long-term and full market-cycle performance picture because we believe that these periods, which include both up and down market phases, more accurately reflect the success or failure of a particular investment vehicle or approach.**

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exclusively among mid- and large-cap stocks. However, as we have often pointed out, the small-cap universe provides fertile ground for yield-loving equity investors. As of 12/31/03, of the approximately 7,300 companies with market capitalizations less than $2 billion, more than 1,500 pay dividends and more than 900 of those have yields of 2% or greater (Source: FactSet).

One might ask why a small company would choose to pay dividends. Wouldn't that business be better off reinvesting its profits? The truth is that many small companies earn more than they need in terms of reinvestment in the business. This excess profit is known as free cash flow, which is one of the key qualitative components that we look for in any company, along with strong balance sheets and an established record of earnings. A company has several choices as to what it does with these funds: It can hold on to the cash, use it to purchase shares of its own stock or pay it out to shareholders in the form of dividends.

(continued on page 8)

Letter To Our Stockholders

In our view, 2003 offered a good reason for taking the long view. A wildly successful year by nearly any measure, it was also an exceptional year for more than the reasons normally implied by that term. While our Funds certainly profited from the market's favor toward micro-caps, Technology and other issues, we remain somewhat cynical about the nature of the recent rally. **Seeing many of our holdings appreciate in price was gratifying, but we cannot avoid the suspicion that prices rose primarily for what we would argue were all the wrong reasons — speculation as opposed to investment, a low-interest rate environment (which made investment options in fixed income securities look far less attractive relative to equities) and a post-bear-market euphoria that seemed to push prices higher and higher while scant attention was being paid to underlying quality.** We were surprised to see speculative stocks do so well from the October 2002 bottom through the end of 2003, though it was somewhat gratifying to see some companies with stronger earnings begin to participate late in the year.

The History Channel Presents...

From a performance standpoint, small-cap has so far outpaced large-cap in the current decade. In recognizing this, we wondered what the decade-by-decade performance story had been historically for each asset class. This led us to an examination of stock-market returns from 1930 through 1999 to see what, if any, performance patterns emerged for small- and large-cap stocks. Although we realized that there were distinctive stories behind each ten-year period's returns, both large- and small-cap stocks repeated a specific pattern that held true for every decade from the '30s through the '90s. During that 70-year period, large-cap stocks led

CRSP SMALL-CAP DECILE COMPOSITES
Decade-by-Decade Cumulative Results

	CRSP 6-10	S&P 500	SPREAD
1930s	47.6%	2.3%	45.4%
1940s	328.9	138.7	190.2
1950s	438.3	483.3	-45.0

1960s	218.8	112.3	106.6
1970s	150.1	76.5	73.6
1980s	304.7	401.5	-96.8
1990s	299.1	432.9	-133.8

in the high-return decades of the 50s, 80s and 90s, while small-caps were out in front during the low- or normal-return decades of the 30s, 40s, 60s and 70s. This pattern has been repeated so far in the current decade, with small-caps having held a significant performance

edge over large-caps in a decidedly low-return period for the market as a whole. In one final tidbit of asset-class trivia, we found that both asset classes enjoyed a lengthy period of outperformance during each decade. In fact, small-cap stocks had at least a six-year period of outperformance in every 10-year period *(see chart below)*, including those in which they underperformed. This was the case even in the the 80s and 90s, decades typically thought of as dominated by large-caps.

We do not expect small-caps to lead in every performance period or in every calendar year through decades end. In fact, we expect leadership to alternate between small- and large-caps, especially in the near term. Does this mean that small-caps may be at a disadvantage in the coming months? Not necessarily. At current price-to-earnings levels, significant price appreciation through multiple expansion would be much harder to come by. In the next phase of the market, we believe that returns will come *via* improving earnings, not multiple expansion. Given their economic leverage and the simplicity of their businesses, we believe that economic improvements should more directly affect small-caps bottom lines, which could put small-caps in a leading position vis-a-vis earnings growth.

The potential upward movement of interest rates and their impact on P/E ratios is another area that would seem

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LETTER TO OUR SHAREHOLDERS

Certain small companies choose the latter, although for many years it was more common for firms to opt for one of the first two choices, regardless of their size. We think that this will change as a result of the new tax legislation passed earlier this year, which gives more favorable tax treatment to dividends, thus offering companies more of an impetus to pay them out. The effect of this legislation is only beginning to be felt, yet we expect that its consequences will be dramatic, long lasting and potentially beneficial to small-cap investors who like dividends.

Trying to Learn from History

to us to favor smaller companies. Although no one can accurately predict the path of interest rates, an increase after more than 20 years of overall decline seems reasonable, especially in a more robust economic environment. Rising interest rates are generally detrimental to equities as a whole. Since interest rates and P/E ratios tend to have an inverse relationship to each other, and larger companies generally have higher debt-to-capital ratios, an increase in interest rates would seemingly be more detrimental to larger companies because higher proportionate levels of debt would have a greater negative effect impact on their bottom lines. (As of 12/31/03, the composite debt-to-capital ratio for the S&P 500 was 49% versus 40% for the Russell 2000.)

CLOSING BELL

We continue to believe that the returns generated by the recent rally, while entirely welcome, represent a snapback for stock prices, not a comeback for high returns. The market's dramatic upward move seems to us more of an anomalous event that occurred within the longer-term context of the current market cycle that began with a dramatic slide from the peak in March 2000. Most bull markets have begun with profitable companies taking the lead, while Technology and/or micro-cap stocks have followed in the later stages of the run-up. We find it especially peculiar in the aftermath of one of the biggest Technology rallies in history that these sectors led the recovery. Although any extended period of negative returns from this point seems unlikely to us in the near-term, we suspect that there may be a correction within the next several months during which we believe that we will see a move to quality companies with solid

earnings followed by a longer period of low, but generally positive returns. We would caution investors against thinking that 2003s rubber-band response to the bear market means a return to the investment climate of the mid-to-late 90s. Of course, when it comes to investing, our temperament resembles Larry Davids cranky, fatalistic character on HBOs *Curb Your Enthusiasm*. When bad times come, we more or less expect it; when good times arrive, were usually nervous, expecting it all to end soon.

The last five years have provided ample doses of each, with giddy peaks and chilling lows. Through it all, we maintained the same disciplined approach that we have used for 30 years. Just as we were not idiots when small-cap value went out of style, we did not suddenly become endowed with genius when our approach became attractive again. The extremes of the last two market cycles serve best as a reminder that building wealth requires time and patience.

We appreciate your continued support.

Sincerely,

Charles M. Royce	W. Whitney George	Jack E. Fockler, Jr.
President	*Vice President*	*Vice President*

January 31, 2004

The performance data and trends outlined in this presentation are presented for illustrative purposes only. The thoughts concerning recent market movements and future prospects for small-company stocks are solely those of Royce & Associates, and, of course, there can be no assurance with regard to future market movements. Small- and micro-cap stocks may involve considerably more risk than larger-cap stocks. Past performance is no guarantee of future results. Historical market trends are not necessarily indicative of future market movements. The (Center for Research in Security Prices) CRSP 6-10 is an unmanaged composite representing the bottom five deciles of stocks listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq National Market, based on market capitalization. The S&P 500 is an unmanaged index of domestic large-cap stocks. The Russell 2000, Russell 2000 Value and Russell 2000 Growth are unmanaged indices of domestic small-cap stocks.

Small-Cap Market Cycle Performance

Since the Russell 2000 s inception on 12/31/78, value outperformed growth in five of the six full small-cap market cycles (defined as a move of 15% from a previous peak or trough). The last small-cap market cycle (4/21/98 - 3/9/00) was the exception. **The current cycle represents what we believe is a return to more historically typical performance in that value provided a significant advantage during the downturn (3/9/00 - 10/9/02) and through December 31, 2003.**

	PRIOR PEAK-TO-PEAK 4/21/98 3/9/00	PEAK-TO-TROUGH 3/9/00 10/9/02	TROUGH-TO-CURRENT 10/9/02 12/31/03	PEAK-TO-CURRENT 3/9/00 12/31/03	PRIOR PEAK-TO-CURRENT 4/21/98 12/31/03
Russell 2000	26.3%	-44.1%	73.1%	-3.3%	22.2%
Russell 2000 Value	-12.7	2.0	69.8	73.1	51.2
Russell 2000 Growth	64.8	-68.4	76.7	-44.2	-8.0
NAV CUMULATIVE TOTAL RETURN					
Royce Value Trust	10.0	-12.2	67.5	47.1	61.8
Royce Micro-Cap Trust	10.6	-13.6	85.4	59.3	76.3
Royce Focus Trust	-10.7	-4.9	85.5	76.4	57.6

PEAK-TO-TROUGH: Not only did value outperform growth (as measured by the Russell 2000 style indices), it also provided positive performance during the downdraft. All three Royce Funds outperformed the Russell 2000 in this period.

TROUGH-TO-CURRENT: Through December 31, 2003, growth led value during the rally from the October low. All Royce Funds posted total returns of more than 65% during this period, with Royce Micro-Cap Trust and Royce Focus Trust outperforming the Russell 2000.

PEAK-TO-CURRENT: From March 9, 2000 through December 31, 2003, value maintained a sizeable lead over growth. Again, all three Royce Funds held performance advantages over the Russell 2000 (-3.3%) and all have provided positive performance. When current cycle returns are combined with those of the prior full market cycle, a period which includes both the pre-bubble rally and the ensuing bear market, values positive results compare favorably against growths negative results. During this period, all three Royce Funds outperformed the Russell 2000 Values 51.2% return.

History Since Inception

The following table details the share accumulations by an initial investor in the Funds who reinvested all distributions (including fractional shares) and participated fully in primary subscriptions for each of the rights offerings. Full participation in distribution reinvestments and rights offerings can maximize the returns available to a long-term investor. This table should be read in conjunction with the Performance and Portfolio Reviews of the Funds.

HISTORY		AMOUNT INVESTED	PURCHASE PRICE*	SHARES	NAV VALUE**	MARKET VALUE**
Royce Value Trust						
11/26/86	Initial Purchase	$ 10,000	$ 10.000	1,000	$ 9,280	$ 10,000
10/15/87	Distribution $0.30		7.000	42		
12/31/87	Distribution $0.22		7.125	32	8,578	7,250
12/27/88	Distribution $0.51		8.625	63	10,529	9,238
9/22/89	Rights Offering	405	9.000	45		
12/29/89	Distribution $0.52		9.125	67	12,942	11,866
9/24/90	Rights Offering	457	7.375	62		
12/31/90	Distribution $0.32		8.000	52	11,713	11,074
9/23/91	Rights Offering	638	9.375	68		
12/31/91	Distribution $0.61		10.625	82	17,919	15,697
9/25/92	Rights Offering	825	11.000	75		
12/31/92	Distribution $0.90		12.500	114	21,999	20,874
9/27/93	Rights Offering	1,469	13.000	113		
12/31/93	Distribution $1.15		13.000	160	26,603	25,428
10/28/94	Rights Offering	1,103	11.250	98		
12/19/94	Distribution $1.05		11.375	191	27,939	24,905
11/3/95	Rights Offering	1,425	12.500	114		
12/7/95	Distribution $1.29		12.125	253	35,676	31,243
12/6/96	Distribution $1.15		12.250	247	41,213	36,335
1997	Annual distribution total $1.21		15.374	230	52,556	46,814
1998	Annual distribution total $1.54		14.311	347	54,313	47,506
1999	Annual distribution total $1.37		12.616	391	60,653	50,239
2000	Annual distribution total $1.48		13.972	424	70,711	61,648
2001	Annual distribution total $1.49		15.072	437	81,478	73,994
2002	Annual distribution total $1.51		14.903	494	68,770	68,927
1/28/03	Rights Offering	5,600	10.770	520		
2003	Annual distribution total $1.30		14.582	516		
12/31/03		**$ 21,922**		**6,237**	**$ 106,216**	**$ 107,339**
Royce Micro-Cap Trust						
12/14/93	Initial Purchase	$ 7,500	$ 7.500	1,000	$ 7,250	$ 7,500

10/28/94	Rights Offering	1,400	7.000	200		
12/19/94	Distribution $0.05		6.750	9	9,163	8,462
12/7/95	Distribution $0.36		7.500	58	11,264	10,136
12/6/96	Distribution $0.80		7.625	133	13,132	11,550
12/5/97	Distribution $1.00		10.000	140	16,694	15,593
12/7/98	Distribution $0.29		8.625	52	16,016	14,129
12/6/99	Distribution $0.27		8.781	49	18,051	14,769
12/6/00	Distribution $1.72		8.469	333	20,016	17,026
12/6/01	Distribution $0.57		9.880	114	24,701	21,924
2002	Annual distribution total $0.80		9.518	180	21,297	19,142
2003	Annual distribution total $0.92		10.004	217		
12/31/03		**$ 8,900**		**2,485**	**$ 33,125**	**$ 31,311**
Royce Focus Trust						
10/31/96	Initial Purchase	$ 4,375	$ 4.375	1,000	$ 5,280	$ 4,375
12/31/96					5,520	4,594
12/5/97	Distribution $0.53		5.250	101	6,650	5,574
12/31/98					6,199	5,367
12/6/99	Distribution $0.145		4.750	34	6,742	5,356
12/6/00	Distribution $0.34		5.563	69	8,151	6,848
12/6/01	Distribution $0.14		6.010	28	8,969	8,193
12/6/02	Distribution $0.09		5.640	19	7,844	6,956
12/8/03	Distribution $0.62		8.250	94		
12/31/03		**$ 4,375**		**1,345**	**$ 12,105**	**$ 11,406**

*Beginning with 1997 (RVT) and 2002 (RMT) distribution, the purchase price on distributions is an average of the Fund's full year distribution reinvestment cost.

**Other than for initial purchase, values are stated as of December 31 of the year indicated, after reinvestment of distributions.

Royce Value Trust

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/03	
Fourth Quarter 2003*	13.38%
July-December 2003*	23.75
1-Year	40.80
3-Year	11.04
5-Year	12.25
10-Year	12.64

Manager's Discussion

Royce Value Trust's (RVT) diversified portfolio of small- and micro-cap stocks enjoyed a strong absolute return in 2003 on both a net asset value (NAV) and market price basis. **The Fund was up 40.8% on an NAV basis and 42.0% on a market price basis. These performances trailed the calendar-year return of the small-cap oriented Russell 2000, which was up 47.3%, but were ahead of the small-cap S&P 600, which was up 38.8% in 2003.** The fourth quarter saw further expansion of the market's recovery, which has thus far been primarily driven by micro-caps and Technology stocks. RVT was up 13.4% on an NAV basis and 11.9% on a market price basis in the fourth quarter. Both returns were shy of the Fund's benchmarks the Russell 2000 was up 14.5% and the S&P 600 was up 14.8% in

15-Year	13.27
Since Inception (11/26/86)	12.37

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 12/31/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Value Trust (NAV)	**11.0%**	**24.7**	**0.45**
S&P 600	8.1%	21.7	0.37
Russell 2000	6.3%	23.6	0.27

*Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period.

Over the last three years, Royce Value Trust has outperformed the S&P 600 and the Russell 2000 on both an absolute and a risk-adjusted basis.

CALENDAR YEAR NAV TOTAL RETURNS

Year	RVT	Year	RVT
2003	40.8%	1995	21.1%
2002	-15.6	1994	0.1

the fourth quarter. However, over longer-term and market cycle periods, RVT held the advantage over both indices. For the period ended 12/31/03, RVT was up 47.1% on an NAV basis from the small-cap market peak on 3/9/00, versus a gain of 24.9% for the S&P 600 and a loss of 3.3% for the Russell 2000. The Fund also outperformed both benchmarks on both an NAV and market price basis for the three-, five-, 10-, 15-year and since inception (11/26/86) periods. **RVTs average annual NAV total return since inception was 12.4%.**

Although positive performances could be found in all of the Funds sectors and industry groups, the gains of the Funds Technology holdings as a group made those of other sectors look rather modest. In many cases (including some of RVTs holdings), Tech stock prices seemed to rise more in anticipation of increases in capital spending or of a businesss profitability than for actual increases in earnings or other, more tangible reasons. The considerable price appreciation of Tech stocks led us to reduce or sell off many positions in the sector. During the depths of the bear market in 2002, we substantially increased our position in business and technology consultant Sapient Corporation. Its revenues crept upward last fall, but its explosive gain prompted us to reduce our position from September through November. We initially liked the low price, balance sheet and niche business of specialty circuit board manufacturer TTM Technologies. Increased revenues and earnings, as well as Wall Street attention, led its price to levels beyond our expectations. We began to reduce our position in July. We think that Transaction Systems Architects has a terrific core business, which involves e-commerce and e-payment software. Its price soared in 2003, so we took some gains, but still held a good-sized stake at the end of the year.

Elsewhere in the portfolio, solid gains came from a few old favorites. Number-one holding Simpson Manufacturing, which makes various connectors used in the construction industry, first attracted our attention in 1994. We have been happy to hold the stock for nearly a decade, and were very pleased to see investors make the connection between what we see as the firms sterling financial quality and its stock price in 2003. We first bought shares of grain and distillery product maker MGP Ingredients in 1988 and have owned shares almost continuously since. Its strong balance sheet and solid earnings seemed to attract more investors in 2003. MacDermid produces chemicals for metal and plastic finishing. We first bought shares in 1991 and were pleased to see what we regard as a well-run firm in a solid niche enjoy a strong 2003. In all three cases, we were content to hold large positions at the end of the year.

2001	15.2	1993	17.3
2000	16.6	1992	19.3
1999	11.7	1991	38.4
1998	3.3	1990	-13.8
1997	27.5	1989	18.3
1996	15.5	1988	22.7

GOOD IDEAS THAT WORKED 2003 Net Realized and Unrealized Gain	
Urban Outfitters	$4,114,094
E*TRADE Financial	3,950,478
Sapient Corporation	3,800,268
Transaction Systems Architects Cl. A	3,727,877
Velcro Industries	3,601,730

Urban Outfitters This merchandiser and specialty retail store operator enjoyed record sales, strong earnings and a two-for-one stock split in 2003, developments that seemed to keep investors buying its stock. We trimmed our position in October.

E*TRADE Financial Our decision to trim our position in this financial services firm was based solely on the impressive rise of its stock price. We have retained our high view of its management and its ability to make the transition from an internet-based discount brokerage to a low-cost leader in financial services.

GOOD IDEAS AT THE TIME 2003 Net Realized and Unrealized Loss	
PMA Capital Cl. A	$2,185,376
Allegiance Telecom	1,538,391
PRG-Schultz International	1,079,698

PMA Capital Cl. A Our once-high confidence in this provider of property and casualty reinsurance withered in the face of what we felt was management's

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$915 million
Weighted Average P/E Ratio	22.7x*
Weighted Average P/B Ratio	2.0x
Weighted Average Yield	0.7%
Fund Net Assets	$851 million
Turnover Rate	23%
Net Leverage	4%
Symbol - Market Price - NAV	RVT XRVTX

*Excludes 21% of the portfolio holdings with zero or negative earnings as of 12/31/03.

Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets applicable to Common Stockholders.

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
Simpson Manufacturing	1.1%
	1.0

Payless ShoeSource	1,037,569
Hilb, Rogal & Hamilton Company	843,191

inability to effectively steer the company through increasingly difficult times for its core business.

Allegiance Telecom Our generally disappointing experience with this telecommunications service provider ended, sadly but perhaps mercifully, when we sold the last of our shares in December following an announcement of bankruptcy in May.

Ritchie Bros. Auctioneers	
MacDermid	0.9
Erie Indemnity Company Cl. A	0.8
Sotheby's Holdings Cl. A	0.8
Arrow International	0.8
White Mountains Insurance Group	0.8
Technitrol	0.8
MGP Ingredients	0.8
Keane	0.8

PORTFOLIO SECTOR BREAKDOWN
% of Net Assets Applicable to Common Stockholders

Technology	23.3%
Industrial Products	16.1
Industrial Services	13.7
Financial Intermediaries	10.4
Health	10.0
Natural Resources	7.8
Consumer Products	7.3
Consumer Services	5.6
Financial Services	5.6
Utilities	0.1
Miscellaneous	3.6
Bonds & Preferred Stock	0.3
Treasuries, Cash & Cash Equivalents	22.1

The regular reinvestment of distributions makes a difference!

[1] Reflects the cumulative performance of an investment made by a stockholder who purchased one share at inception ($10.00 IPO) and then reinvested all annual distributions as indicated, and fully participated in primary subscriptions of the Fund's rights offerings.

[2] Reflects the actual market price of one share as it has traded on the NYSE.

CAPITAL STRUCTURE

Publicly Traded Securities Outstanding at 12/31/03 at NAV or Liquidation Value	
50.0 million shares of Common Stock	$851 million
5.90% Cumulative Preferred Stock	$220 million

ROYCE MICRO-CAP TRUST

NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/03	
Fourth Quarter 2003*	15.58%

MANAGER□S DISCUSSION

Micro-cap stocks were among the market leaders in the rally that began in October 2002, a fact reflected in the calendar-year performance of Royce Micro-Cap Trust (RMT). **In 2003, the Fund was up 55.6% on a net asset value (NAV) basis and 63.6% on a market price basis, in both instances ahead of its small-cap benchmark, the Russell 2000, which was up 47.3% for the same period.** The Fund held on to its performance edge in the fourth quarter, as the rally broadened. RMT was up 15.6% on an NAV basis and 16.7% on a market price basis versus a gain of 14.5% for the Russell 2000. As strong a year as it was, we were even more pleased with the Fund□s performance over long-term and market-cycle periods. RMT outpaced the Russell 2000 from both the small-cap market peak on 3/9/00 (+59.3% versus -3.3%) and the small-cap market trough on 10/9/02 (+85.4% versus +73.1%) for the periods ended 12/31/03. The Fund also outperformed its benchmark on both an NAV basis and market price basis for the three-, five- 10-year and since inception (12/15/93) periods ended 12/31/03. **RMT□s average annual NAV total return since inception was 14.2%.**

The Fund□s holdings in Technology made the largest positive impact on performance in 2003. We were ambivalent about the success of Tech stocks in the current rally. While they quite clearly boosted RMT□s performance and seemed to provide an impetus for the rally as a whole, we were concerned that many Tech firms finished the year with sizeable returns but without net profits (though some posted positive earnings late in the year). Investors seemed as enamored with potential as they were with more tangible measures of quality. Our strategy in RMT was to trim or reduce several top gainers in the sector because their prices had risen precipitously and we were unsure if they remained good values at their higher prices. The price of wireless telephone system manufacturer SpectraLink Corporation rose through September, when we sold a bit less than half of our position. We were attracted to its strong balance sheet and niche business. Another business that we like is information technology (IT) consultants, especially if they have little debt and talented management, which we judged to be the case with DiamondCluster International Corporation. Its price began to take off in April, prompting us to begin reducing our position. We were content to hold a large position in IT consultant Covansys Corporation at year-end. At one point in 2002, we nearly gave up on the company, but the combination of a smart acquisition in May 2002 and cost-cutting measures in 2003 seemed to help its stock price to recover.

The business of iGATE Corporation, a staffing services company with a substantial business in Technology Consulting, was somewhat sluggish in 2003, yet investors seemed happy to invest in its potential ability to turn things around. We held a large position at the end of the year. During the dark days of the bear market in 2002, we built our position in top-ten holding Excel Technology, a firm that develops and manufactures laser systems and electro-optical components for industrial, scientific and medical uses. We were initially intrigued by its interesting business and low debt.

The prospects for recessed- and track-lighting fixture designer Juno Lighting brightened in 2003 as its management paid down debt and made a series of moves that we thought were high-wattage decisions. Improved earnings and the announcement that it would be acquired in December 2003 seemed to help the stock price of BioReliance Corporation, a contract service organization that provides services for biomedical, biotechnology and pharmaceutical companies. We slightly reduced our position in November. We were happy to hold a good-sized stake in contact lens maker Ocular Sciences. The company continued to gain market share both domestically and internationally. We have long considered it a well-run, financially clear-sighted company.

July-December 2003*	30.36
1-Year	55.55
3-Year	18.28
5-Year	15.64
10-Year	14.27
Since Inception (12/14/93)	14.22

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 12/31/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Micro-Cap	**18.3%**	**28.7**	**0.64**

Trust (NAV)			
Russell 2000	6.3%	23.6	0.27

*Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period.

Over the last three years, Royce Micro-Cap Trust has outperformed the Russell 2000 on both an absolute and a risk-adjusted basis.

CALENDAR YEAR NAV TOTAL RETURNS

Year	RMT
2003	55.6%
2002	-13.8
2001	23.4
2000	10.9
1999	12.7
1998	-4.1
1997	27.1
1996	16.6
1995	22.9
1994	5.0

GOOD IDEAS THAT WORKED

2003 Net Realized and Unrealized Gain

Sapient Corporation	$3,193,705
Transaction Systems Architects Cl. A	2,458,120

Sapient Corporation – We increased our stake in this business and technology consultant during the depths of the bear market in 2002. Its revenues crept upward last fall,

PORTFOLIO DIAGNOSTICS

Median Market Capitalization	$264 million
Weighted Average P/E Ratio	19.3x*
Weighted Average P/B Ratio	1.7x
Weighted Average Yield	0.6%

Covansys Corporation	1,817,515
SpectraLink Corporation	1,633,238
iGATE Corporation	1,586,557

but its explosive gain prompted us to begin reducing our position in June.

Transaction Systems Architects Cl. A The price of this e-commerce and e-payment software company skyrocketed in the second quarter and hasnt shown signs of slowing down yet. We started to reduce our position in November at substantial gains, though we still thought very highly of its core business.

GOOD IDEAS AT THE TIME 2003 Net Realized and Unrealized Loss	
PRG-Schultz International	$808,519
The Boyds Collection	545,462
Allegiance Telecom	492,474
On Assignment	418,440
Daisytek International	415,052

PRG-Schultz International We were attracted to the dominant market share of this leader in the niche business of recovery audits for mid- to large-sized businesses. Its sluggish stock price performance led us to substantially build our position in 2003.

The Boyds Collection Sales and earnings for this designer and importer of handcrafted collectibles and other specialty giftware products continued to decline in 2003. At year end, we were still re-evaluating our position.

Fund Net Assets	$253 million
Turnover Rate	26%
Net Leverage	3%
Symbol - Market Price - NAV	RMT XOTCX

*Excludes 29% of portfolio holdings with zero or negative earnings as of 12/31/03.
 Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets applicable to Common Stockholders.

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
Sapient Corporation	1.5%
Seneca Foods	1.4
Excel Technology	1.3
Transaction Systems Architects Cl. A	1.3
Covansys Corporation	1.2
Juno Lighting	1.1
Denison International ADR	1.1
Delta Apparel	1.0
Richardson Electronics	1.0
800 JR Cigar	1.0

PORTFOLIO SECTOR BREAKDOWN % of Net Assets Applicable to Common Stockholders	
Technology	26.7%
Industrial Products	14.8
Industrial Services	14.1

Health	11.1
Natural Resources	9.1
Consumer Products	9.0
Financial Intermediaries	6.1
Consumer Services	5.1
Financial Services	1.0
Diversified Investment Companies	0.4
Miscellaneous	5.0
Preferred Stocks	0.5
Treasuries, Cash & Cash Equivalents	20.8

The regular reinvestment of distributions makes a difference!

1 Reflects the cumulative performance of an investment made by a stockholder who purchased one share at inception ($7.50 IPO) and then reinvested distributions as indicated, and fully participated in primary subscription of the 1994 rights offerings.

2 Reflects the actual market price of one share as it has traded on the Nasdaq and, beginning 12/1/03, on the NYSE.

CAPITAL STRUCTURE Publicly Traded Securities Outstanding at 12/31/03 at NAV or Liquidation Value	
19.0 million shares of Common Stock	$253 million
6.00% Cumulative Preferred Stock	$60 million

Royce Focus Trust

NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/03	
Fourth Quarter 2003*	16.44%
July-December 2003*	30.06
1-Year	54.33
3-Year	14.11
5-Year	14.34

Manager's Discussion

With a little extra help from Technology and micro-cap stocks, Royce Focus Trust enjoyed a strong year by almost any measure in 2003. **On both a net asset value (NAV) and market price basis, the Fund posted its highest calendar-year return since Royce assumed its management on 11/1/96. FUND was up 54.3% on an NAV basis and 64.0% on a market price basis, both returns ahead of the Fund's small-cap benchmark, the Russell 2000, which was up 47.3% in 2003.** The fourth quarter saw further expansion of the rally beyond the more speculative issues that have been leading since the recovery began in October 2002. FUND stayed ahead of its benchmark

Since Inception (11/1/96)	12.28

*Not annualized.
Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

RISK/RETURN COMPARISON
3-Year Period ended 12/31/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Focus Trust (NAV)	**14.1%**	**25.9**	**0.54**
Russell 2000	6.3%	23.6	0.27

*Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period.

Over the last three years, Royce Focus Trust has outperformed the Russell 2000 on both an absolute and a risk-adjusted basis.

in the fourth quarter, posting an NAV return of 16.4% and a market price return of 19.7%, versus a 14.5% return for the Russell 2000. We were even more pleased with the Fund's results over market cycle and long-term performance periods. For the period ended 12/31/03, FUND was up 76.4% from the small-cap market peak on 3/9/00, versus a decline of 3.3% for the Russell 2000. The Fund also outperformed the benchmark for the one-, three-, five-year and since inception periods ended 12/31/03. **FUND's average annual NAV total return since inception was 12.3%.**

Portfolio holdings in the Technology sector made the greatest positive impact on the Fund's performance. However, Tech did not dominate portfolio performance to the same degree that it did in the market as a whole (or in other Royce-managed portfolios), and we were pleased to see strong gains from companies in several sectors and industry groups. Of the Fund's twenty top-performing stocks in 2003, only five were Tech stocks. We were attracted to two of these companies based on our belief that their respective well-established and profitable business relationships with the U.S. military could keep them growing profitably. Each suffered from a depressed stock price in 2002, in part because the significant retrenchment in technology spending occurred not long after they first made forays into more commercial ventures. In the fall of 2002, we built our position in REMEC, a manufacturer of various components for wireless communications, while we first bought shares of ViaSat, which provides broadband digital satellite communications and other wireless networking and signal processing equipment and services early in 2003. The price of each stock rose during the rally. We took gains in REMEC in 2003, though at year-end we thought that each remained a well-run company. Another firm in which we reduced our stake due to its fast-rising stock price was e-commerce and e-payment software company, Transaction Systems Architects. In mid-2002, new management came on board and shaped up the firm's balance sheet, a move that focused our attention on what we already regarded as a potentially high-growth business. Although by the end of the year its price remained in orbit, we began to reduce our position in September at substantial gains.

We first began to buy Endo Pharmaceuticals Holdings in FUND late in 2002. We liked its balance sheet, its high returns on capital, and the firm's roster of products, which included both brand name and generic drugs. None of that has changed, except that the company's cash flows were more robust in 2003 than we had expected. Although its stock price received a shot in the arm, we were content to hold a large position at the end of the year, thinking that the company still had room to grow. Our decision to trim our position in number-three holding E*TRADE Financial was based solely on the impressive rise of its stock price. We have retained our high view of its management and its ability to make the transition from an internet-based discount brokerage to a low-cost leader in financial services.

CALENDAR YEAR NAV TOTAL RETURNS

Year	FUND
2003	54.3%
2002	-12.5%
2001	10.0
2000	20.9
1999	8.7
1998	-6.8
1997	20.5

GOOD IDEAS THAT WORKED

2003 Net Realized and Unrealized Gain	
TSX Group	$2,183,572
Winnebago Industries	2,007,800
Endo Pharmaceuticals Holdings	1,796,980
Transaction Systems Architects Cl. A	1,750,937
Carlisle Holdings	1,353,000

TSX Group A newer position that we first bought shortly after its initial public offering, this company owns and operates the Toronto Stock Exchange, North America's third largest. It remains under-followed by domestic equity analysts. We built our position throughout 2003, attracted to the company's increased earnings and technological innovations. We also received a favorable currency exchange benefit due to the weakening American dollar.

Winnebago Industries Although we initiated our position in the Fund's portfolio in March 2003, we have long liked the dominant market share and strong profit margins of this leading recreation vehicle manufacturer. The fact that the company has been using much of its free cash flow to buy back stock only adds to the list of attractive qualities.

GOOD IDEAS AT THE TIME

PORTFOLIO DIAGNOSTICS

Median Market Capitalization	$1,121 million
Weighted Average P/E Ratio	22.8x*
Weighted Average P/B Ratio	2.4x
Weighted Average Yield	0.5%
Fund Net Assets	$87 million
Turnover Rate	49%
Net Leverage	6%
Symbol - Market Price - NAV	FUND XFUNX

* Excludes 18% of portfolio holdings with zero or negative earnings as of 12/31/03.

Net leverage is the percentage, in excess of 100%, of the total value of investments (excluding short-term), divided by net assets applicable to Common Stockholders.

2003 Net Realized and Unrealized Loss	
Durect Corporation	$437,744
Monaco Coach	232,987
Natuzzi ADR	198,018
Somera Communications	157,300
On Assignment	118,500

Durect Corporation Our once healthy confidence in this pharmaceuticals firm quickly turned ill last summer when it took on additional debt (and diluted the value of its stock) in the form of a large private placement of convertible debt securities. We sold our shares in August.

Monaco Coach Thinking that its balance sheet was not as well-engineered as its more promising competitors, we sold our shares in January and February 2003, essentially upgrading (in our estimation) to Winnebago Industries.

[1] Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.
[2] Reflects the cumulative performance experience of a continuous common stockholder who reinvested all distributions.
[3] Reflects the actual market price of one share as it has traded on the Nasdaq.

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
New Zealand Government 6.5% Bond	7.7%
TSX Group	4.6
E*TRADE Financial	4.3
Simpson Manufacturing	4.1
Nu Skin Enterprises Cl. A	3.9
Hecla Mining Company	3.3
Endo Pharmaceuticals Holdings	3.3
Goldcorp	3.3
Winnebago Industries	3.2
Alleghany Corporation	3.1

PORTFOLIO SECTOR BREAKDOWN % of Net Assets Applicable to Common Stockholders	
Natural Resources	19.3%
Financial Intermediaries	14.2
Health	12.2
Technology	11.5
Industrial Products	10.6
Consumer Products	9.6
Industrial Services	7.4
Consumer Services	6.3
Financial Services	4.1
Bonds	11.2
Treasuries, Cash & Cash Equivalents	22.3

CAPITAL STRUCTURE Publicly Traded Securities Outstanding at 12/31/03 at NAV or Liquidation Value	
9.7 million shares of Common Stock	$87 million
6.00% Cumulative Preferred Stock	$25 million

DISTRIBUTION REINVESTMENT AND CASH PURCHASE OPTIONS FOR COMMON STOCKHOLDERS

WHY SHOULD I REINVEST MY DISTRIBUTIONS?

By reinvesting distributions, a stockholder can maintain an undiluted investment in the Fund. The regular reinvestment of distributions has a significant impact on stockholder returns. In contrast, the stockholder who takes distributions in cash is penalized when shares are issued below net asset value to other stockholders.

HOW DOES THE REINVESTMENT OF DISTRIBUTIONS FROM THE ROYCE CLOSED-END FUNDS WORK?

The Funds automatically issue shares in payment of distributions unless you indicate otherwise. The shares are generally issued at the lower of the market price or net asset value on the valuation date.

HOW DOES THIS APPLY TO REGISTERED STOCKHOLDERS?

If your shares are registered directly with a Fund, your distributions are automatically reinvested unless you have otherwise instructed the Funds transfer agent, EquiServe, in writing. A registered stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if EquiServe is properly notified.

WHAT IF MY SHARES ARE HELD BY A BROKERAGE FIRM OR A BANK?

If your shares are held by a brokerage firm, bank, or other intermediary as the stockholder of record, you should contact your brokerage firm or bank to be certain that it is automatically reinvesting distributions on your behalf. If they are unable to reinvest distributions on your behalf, you should have your shares registered in your name in order to participate.

WHAT OTHER FEATURES ARE AVAILABLE FOR REGISTERED STOCKHOLDERS?

The Distribution Reinvestment and Cash Purchase Plans also allow registered stockholders to make optional cash purchases of shares of a Funds common stock directly through EquiServe on a monthly basis, and to deposit certificates representing your Fund shares with EquiServe for safekeeping. The Funds investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2004.

HOW DO THE PLANS WORK FOR REGISTERED STOCKHOLDERS?

EquiServe maintains the accounts for registered stockholders in the Plans and sends written confirmation of all transactions in the account. Shares in the account of each participant will be held by EquiServe in non-certificated form in the name of the participant, and each participant will be able to vote those shares at a stockholder meeting or by proxy. A participant may also send other stock certificates held by them to EquiServe to be held in non-certificated form. There is no service fee charged to participants for reinvesting distributions. If a participant elects to sell shares from a Plan account, EquiServe will deduct a $2.50 fee plus brokerage commissions from the sale transaction. If a nominee is the registered owner of your shares, the nominee will maintain the accounts on your behalf.

HOW CAN I GET MORE INFORMATION ON THE PLANS?

You can call an Investor Services Representative at (800) 221-4268 or you can request a copy of the Plan for your Fund from EquiServe. All correspondence (including notifications) should be directed to: [Name of Fund] Distribution Reinvestment and Cash Purchase Plan, c/o EquiServe, PO Box 43011, Providence, RI 02940-3011, telephone (800) 426-5523.

Directors and Officers

All Directors and Officers may be reached c/o The Royce Funds, 1414 Avenue of the Americas, New York, NY 10019

NAME AND POSITION: Charles M. Royce (64), Director* and President
Term Expires: 2003
Tenure: Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 19
Non-Royce Directorships: Director of Technology Investment Capital Corp.
Principal Occupation(s) During Past Five Years: President, Chief Investment Officer and Member of Board of Managers (since October 2001), of Royce & Associates, LLC (Royce), the Fund's investment adviser.

NAME AND POSITION: Mark R. Fetting (49), Director*
Term Expires: 2004
Tenure: Since 2001
No. of Funds Overseen: 19
Non-Royce Directorships: Director/Trustee of the registered investment companies constituting the 22 Legg Mason Funds.
Principal Occupation(s) During Past Five Years: Executive Vice President of Legg Mason, Inc.; Member of Board of Managers of Royce (since October 2001); Division President and Senior Officer, Prudential Financial Group, Inc. and related companies, including Fund Boards and consulting services to subsidiary companies (from 1991 to 2000). Mr. Fetting's prior business experience includes having served as Partner, Greenwich Associates and Vice President, T. Rowe Price Group, Inc.

NAME AND POSITION: Donald R. Dwight (72), Director
Term Expires: 2005
Tenure: Since 1998
No. of Funds Overseen: 19
Non-Royce Directorships: None
Principal Occupation(s) During Past Five Years: President of Dwight Partners, Inc., corporate communications consultant; Chairman (from 1982 to March 1998) and Chairman Emeritus (since March 1998) of Newspapers of New England, Inc. Mr. Dwight's prior experience includes having served as Lieutenant Governor of the Commonwealth of Massachusetts, as President and Publisher of Minneapolis Star and Tribune Company, and as Trustee of the registered investment companies constituting the 94 Eaton Vance Funds.

NAME AND POSITION: Richard M. Galkin (65), Director

NAME AND POSITION: David L. Meister (64), Director
Term Expires: 2003
Tenure: Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 19
Non-Royce Directorships: None
Principal Occupation(s) During Past Five Years: Chairman and Chief Executive Officer of The Tennis Channel (since June 2000). Chief Executive Officer of Seniorlife.com (from December 1999 to May 2000). Mr. Meister's prior business experience includes having served as a consultant to the communications industry, President of Financial News Network, Senior Vice President of HBO, President of Time-Life Films and Head of Broadcasting for Major League Baseball.

NAME AND POSITION: G. Peter O'Brien (58), Director
Term Expires: 2003
Tenure: Since 2001
No. of Funds Overseen: 19
Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 22 Legg Mason Funds; Director of Renaissance Capital Greenwich Fund and Director of Technology Investment Capital Corp.
Principal Occupation(s) During Past Five Years: Trustee of Colgate University; Director of Renaissance Capital Greenwich Funds; Vice President of Hill House, Inc.; Director/Trustee of certain Legg Mason retail funds; Managing Director/Equity Capital Markets Group of Merrill Lynch & Co. (from 1971 to 1999).

NAME AND POSITION: John D. Diederich (52), Vice President and Treasurer
Tenure: Since 1997

Principal Occupation(s) During Past Five Years: Managing Director, Chief Operating Officer and Member of Board of Managers of Royce (since October 2001); Director of Administration of the Funds since April 1993.

NAME AND POSITION: Jack E. Fockler, Jr. (45), Vice President
Tenure: Since 1995 (RVT), 1995 (OTCM), 1996 (FUND)

Term Expires: 2004

Tenure: Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)

No. of Funds Overseen: 19

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: Private investor. Mr. Galkins prior business experience includes having served as President of Richard M. Galkin Associates, Inc., telecommunications consultants, President of Manhattan Cable Television (a subsidiary of Time, Inc.), President of Haverhills Inc. (another Time, Inc. subsidiary), President of Rhode Island Cable Television and Senior Vice President of Satellite Television Corp. (a subsidiary of Comsat).

NAME AND POSITION: Stephen L. Isaacs (64), Director

Term Expires: 2005 (RVT), 2005 (OTCM), 2003 (FUND)

Tenure: Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)

No. of Funds Overseen: 19

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: President of The Center for Health and Social Policy (since September 1996); Attorney and President of Health Policy Associates, Inc., consultants. Mr. Isaacss prior business experience includes having served as Director of Columbia University Development Law and Policy Program and Professor at Columbia University (until August 1996).

NAME AND POSITION: William L. Koke (69), Director

Term Expires: 2003 (RVT), 2003 (OTCM), 2005 (FUND)

Tenure: Since 2001 (RVT), 2001 (OTCM), 1997 (FUND)

No. of Funds Overseen: 19

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: Financial planner with Shoreline Financial Consultants. Mr. Kokes prior business experience includes having served as Director of Financial Relations of SONAT, Inc., Treasurer of Ward Foods, Inc. and President of CFC, Inc.

*Interested Director.

Principal Occupation(s) During Past Five Years: Managing Director and Vice President of Royce, having been employed by Royce since October 1989.

NAME AND POSITION: W. Whitney George (45), Vice President

Tenure: Since 1995 (RVT), 1995 (OTCM), 1996 (FUND)

Principal Occupation(s) During Past Five Years: Managing Director and Vice President of Royce, having been employed by Royce since October 1991.

NAME AND POSITION: Daniel A. OByrne (41), Vice President and Assistant Secretary

Tenure: Since 1994 (RVT), 1994 (OTCM), 1996 (FUND)

Principal Occupation(s) During Past Five Years: Vice President of Royce, having been employed by Royce since October 1986.

NAME AND POSITION: John E. Denneen (36), Secretary

Tenure: 1996-2001 and Since April 2002

Principal Occupation(s) During Past Five Years: General Counsel (Deputy General Counsel prior to 2003), Principal, Chief Compliance Officer and Secretary of Royce and Principal of Credit Suisse First Boston Private Equity (2001-2002).

Notes To Performance And Statistical Information

Authorized Share Transactions

Each of Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may repurchase up to 300,000 shares of its common stock and up to 10% of the issued and outstanding shares of each series of its preferred stock during the year ending December 31, 2004. Any such repurchases would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the shares then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the shares liquidation value.

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust are also authorized to offer their common stockholders an opportunity to subscribe for additional shares of their common stock through rights offerings at a price per share that may be less than the shares then current net asset value. The timing and terms of any such offerings are within each Board's discretion.

Notes To Performance And Statistical Information

All performance information is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results or volatility. Investment return and principal value will fluctuate, so that shares may be worth more or less than their original cost when sold. The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies that may involve considerably more risk than investments in securities of larger-cap companies. The thoughts expressed in this report concerning recent market movements and future prospects for small company stocks are solely the current opinion of Royce, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Funds' portfolios and Royce's investment intentions with respect to those securities reflect Royce's opinions as of December 31, 2003 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this report will be included in any Royce-managed portfolio in the future.

Standard deviation is a statistical measure within which a fund's total returns have varied over time. The greater the standard deviation, the greater a fund's volatility.

The Russell 2000, Russell 2000 Value, Russell 2000 Growth, Nasdaq Composite and S&P 500 are unmanaged indices of domestic common stocks. CRSP (Center for Research in Security Pricing) divides the U.S. equity market into 10 deciles. Deciles 1-5 represent the largest domestic equity companies and deciles 6-10 represent the smallest. By way of comparison, the CRSP 1-5 would have similar capitalization parameters to the S&P 500 and the CRSP 6-10 would approximately match those of the Russell 2000. Returns for the market indices used in this report were based on information supplied to Royce by Frank Russell, CRSP and Morningstar. Royce has not independently verified the above described information. The Royce Funds is a service mark of The Royce Funds.

Forward-looking Statements

This material contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties, including, among others, statements as to:

- the Funds' future operating results,
- the prospects of the Funds' portfolio companies,
- the impact of investments that the Funds have made or may make,
- the dependence of the Funds' future success on the general economy and its impact on the companies and industries in which the Funds invest, and
- the ability of the Funds' portfolio companies to achieve their objectives.

This report uses words such as "anticipates," "believes," "expects," "future," "intends," and similar expressions to identify forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements for any reason.

The Royce Funds have based the forward-looking statements included in this report on information available to us on the date of the report, and we assume no obligation to update any such forward-looking statements. Although The Royce Funds undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make through future stockholder communications or reports.

Royce Value Trust, Inc.

Schedules of Investments — December 31, 2003

COMMON STOCKS 103.5%

	SHARES	VALUE
Consumer Products 7.3%		
Apparel and Shoes - 2.6%		
Jones Apparel Group [d]	81,500	$ 2,871,245
K-Swiss Cl. A	160,000	3,849,600
Oshkosh BGosh Cl. A [d]	104,300	2,238,278
Polo Ralph Lauren Cl. A	150,000	4,320,000
Timberland Company Cl. A [a]	30,000	1,562,100
Weyco Group	153,996	5,181,811
Wolverine World Wide	84,400	1,720,072
		21,743,106
Collectibles - 0.2%		
The Boyds Collection [a]	234,200	995,350
Enesco Group [a]	47,200	487,104
		1,482,454
Food/Beverage/Tobacco - 0.7%		
800 JR Cigar [a,e]	172,400	2,241,200
Hain Celestial Group [a]	37,800	877,338
Hershey Creamery Company [d]	709	2,357,425
Lancaster Colony	16,900	763,204
		6,239,167
Home Furnishing/Appliances - 0.9%		
Bassett Furniture Industries	116,675	1,925,137
Falcon Products [a,c]	761,600	3,351,040
Jack in the Box [a]	42,000	$ 897,120
Prime Hospitality [a]	106,100	1,082,220
Ryans Family Steak Houses [a]	48,900	740,346
		12,892,727
Retail Stores - 2.4%		
Big Lots [a]	207,200	2,944,312
Charming Shoppes [a,d]	584,400	3,155,760
Claires Stores	109,800	2,068,632
GameStop Corporation Cl. A [a,d]	33,700	519,317
Linens n Things [a,d]	38,000	1,143,040
Payless ShoeSource [a,d]	289,600	3,880,640
Stein Mart [a]	192,800	1,588,672
Urban Outfitters [a,d]	152,600	5,653,830
		20,954,203
Other Consumer Services - 1.3%		
ITT Educational Services [a]	85,000	3,992,450
Sothebys Holdings Cl. A [a,d]	510,200	6,969,332
		10,961,782
Total (Cost $35,118,163)		47,966,883
Financial Intermediaries 10.4%		
Banking - 2.6%		
BOK Financial [a]	125,561	4,861,722

La-Z-Boy [d]	68,200	1,430,836
Natuzzi ADR [b]	118,700	1,196,496
		7,903,509
Publishing - 0.5%		
Martha Stewart Living Omnimedia Cl. A [a,d]	6,000	59,100
Scholastic Corporation [a,d]	130,000	4,425,200
		4,484,300
Sports and Recreation - 1.3%		
Callaway Golf	35,000	589,750
Coachmen Industries	47,700	863,847
Fleetwood Enterprises [a,d]	234,300	2,403,918
Monaco Coach [a]	141,050	3,356,990
Oakley	243,100	3,364,504
Thor Industries	12,100	680,262
		11,259,271
Other Consumer Products - 1.1%		
Blyth	54,700	1,762,434
Burnham Corporation Cl. B	18,000	900,000
Fossil [a]	15,000	420,150
Lazare Kaplan International [a]	103,600	720,020
Matthews International Cl. A [d]	186,000	5,503,740
		9,306,344
Total (Cost $39,042,960)		62,418,151
Consumer Services 5.6%		
Leisure/Entertainment - 0.4%		
Gemstar-TV Guide International [a,d]	215,100	1,086,255
Hasbro	50,000	1,064,000
Magna Entertainment Cl. A [a,d]	198,800	1,007,916
		3,158,171
Restaurants/Lodgings - 1.5%		
Benihana Cl. A [a]	57,500	738,875
CEC Entertainment [a]	30,000	1,421,700
Four Seasons Hotels	35,000	1,790,250
IHOP Corporation	161,700	6,222,216
Farmers & Merchants Bank of Long Beach	1,266	5,570,400
First National Bank Alaska	2,130	4,760,550
Mechanics Bank	200	3,760,000
Mercantile Bankshares [d]	20,000	911,600
NetBank	70,000	934,500
Oriental Financial Group	49,225	1,265,083
		22,063,855
Insurance - 7.0%		
Alleghany Corporation [a]	9,700	2,158,250
Argonaut Group [a]	187,000	2,905,980
Baldwin & Lyons Cl. B	21,200	594,872
Commerce Group	49,500	1,955,250
Erie Indemnity Company Cl. A [d]	169,900	7,200,362
First American	20,000	595,400
Leucadia National	51,500	2,374,150
Markel Corporation [a,d]	4,200	1,064,742
Montpelier Re Holdings	53,000	1,945,100
NYMAGIC	85,200	2,336,184
Navigators Group [a]	83,200	2,568,384
PICO Holdings [a]	179,400	2,811,198
PMA Capital Cl. A [d]	231,700	1,186,304
PXRE Group	176,551	4,161,307
Philadelphia Consolidated Holding [a,d]	35,000	1,709,050
The Phoenix Companies [d]	81,900	986,076
ProAssurance Corporation [a,d]	152,070	4,889,050
RLI	122,724	4,597,241
Reinsurance Group of America [d]	30,000	1,159,500
Wesco Financial [d]	7,750	2,728,000
White Mountains Insurance Group	14,500	6,669,275
Zenith National Insurance	96,900	3,154,095
		59,749,770
Securities Brokers - 0.7%		
E*TRADE Financial [a]	360,000	4,554,000
Investment Technology Group [a,d]	20,000	323,000
Knight Trading Group [a]	95,000	1,390,800
		6,267,800

ROYCE VALUE TRUST, INC.

SCHEDULES OF INVESTMENTS — DECEMBER 31, 2003

	SHARES	VALUE
Financial Intermediaries (continued)		
Other Financial Intermediaries - 0.1%		
Chicago Mercantile Exchange	10,000	$ 723,600
Total (Cost $52,286,851)		88,805,025
Financial Services 5.6%		
Information and Processing - 2.1%		
Barra [d]	42,200	1,497,678
eFunds Corporation [a]	207,775	3,604,896
FactSet Research Systems [d]	110,000	4,203,100
Global Payments [d]	68,500	3,227,720
Moodys Corporation	30,000	1,816,500
National Processing [a]	20,000	471,000
SEI Investments	93,200	2,839,804
		17,660,698
Insurance Brokers - 1.2%		
Crawford & Co. Cl. A [d]	289,100	2,049,719
Crawford & Co. Cl. B	60,300	425,718
Gallagher (Arthur J.) & Company	86,200	2,800,638
Hilb, Rogal & Hamilton Company	155,050	4,972,454
		10,248,529
Investment Management - 1.9%		
Alliance Capital Management Holding L.P. [d]	135,000	4,556,250
BKF Capital Group [a]	35,700	881,076
BlackRock Cl. A [d]	25,000	1,327,750
Eaton Vance [d]	70,200	2,572,128
Gabelli Asset Management Cl. A [d]	93,100	3,705,380
Nuveen Investments Cl. A	119,200	3,177,872

	SHARES	VALUE
Chiron Corporation [a,d]	21,800	$ 1,242,382
DUSA Pharmaceuticals [a]	79,700	402,485
Endo Pharmaceuticals Holdings [a]	184,200	3,547,692
Genzyme Corporation [a]	28,000	1,381,520
Human Genome Sciences [a]	90,000	1,192,500
Invitrogen Corporation [a]	40,000	2,800,000
Lexicon Genetics [a]	523,300	3,082,237
Millennium Pharmaceuticals [a]	50,000	933,500
Perrigo Company [d]	169,900	2,670,828
Shire Pharmaceuticals Group ADR [a,b,d]	20,853	605,780
		25,742,869
Health Services - 1.2%		
Accredo Health [a]	8,705	275,165
Albany Molecular Research [a,d]	89,000	1,336,780
Gentiva Health Services [a]	30,150	381,096
Health Management Associates Cl. A	27,400	657,600
IMPATH [a,d]	164,000	623,200
Lincare Holdings [a]	34,600	1,039,038
Manor Care [d]	58,300	2,015,431
MedQuist [a]	73,893	1,186,722
On Assignment [a]	425,200	2,215,292
Quovadx [a,d]	173,400	849,660
		10,579,984
Personal Care - 0.7%		
Ocular Sciences [a]	152,500	4,378,275
Regis	37,200	1,470,144
		5,848,419

		16,220,456
Other Financial Services - 0.4%		
PRG-Schultz International [a,d]	556,200	2,725,380
Van der Moolen Holding ADR [b]	49,000	425,810
		3,151,190
Total (Cost $34,938,083)		47,280,873
Health 10.0%		
Commercial Services - 2.5%		
Covance [a,d]	122,700	3,288,360
First Consulting Group [a]	495,900	2,791,917
Gene Logic [a]	340,100	1,765,119
IDEXX Laboratories [a]	98,000	4,535,440
PAREXEL International [a,d]	277,700	4,515,402
Pharmaceutical Product Development [a]	10,000	269,700
Sybron Dental Specialties [a]	21,000	590,100
The TriZetto Group [a,d]	190,200	1,226,790
Young Innovations	62,550	2,251,800
		21,234,628
Drugs and Biotech - 3.0%		
Abgenix [a]	38,000	473,480
Affymetrix [a,d]	81,800	2,013,098
Antigenics [a,d]	38,500	435,820
Applera Corporation- Celera Genomics Group [a]	199,200	2,770,872
Biopure Corporation Cl. A [a,d]	18,200	43,316
BioSource International [a]	1,600	10,832
Celgene Corporation [a,d]	40,000	1,800,800
Cephalon [a,d]	4,900	237,209
Cerus Corporation [a]	21,700	98,518
Surgical Products and Devices - 2.6%		
Allied Healthcare Products [a]	60,000	231,000
Arrow International	272,200	6,799,556
CONMED Corporation [a]	81,500	1,939,700
Datascope	34,000	1,218,900
Diagnostic Products [d]	25,000	1,147,750
Haemonetics [a]	77,900	1,861,031
Invacare	88,000	3,552,560
Novoste [a,d]	66,500	318,535
STERIS [a]	48,600	1,098,360
Varian Medical Systems [a]	40,800	2,819,280
Zoll Medical [a]	20,200	716,696
		21,703,368
Total (Cost $64,253,178)		85,109,268
Industrial Products 16.1%		
Automotive - 0.1%		
CLARCOR	22,000	970,200
IMPCO Technologies [a,d]	15,500	135,160
Quantam Fuel Systems Technologies Worldwide [a]	15,500	124,620
		1,229,980
Building Systems and Components - 1.5%		
Decker Manufacturing	6,022	196,919
Preformed Line Products Company	131,600	3,786,132
Simpson Manufacturing [a,d]	180,400	9,175,144
		13,158,195
Construction Materials - 1.7%		
Ash Grove Cement Company Cl. B	50,518	5,961,124
ElkCorp [d]	27,000	720,900

Royce Value Trust, Inc.

Schedules of Investments **December 31, 2003**

	SHARES	VALUE
Industrial Products (continued)		
Construction Materials (continued)		
Florida Rock Industries	85,800	$ 4,706,130
Martin Marietta Materials [d]	8,000	375,760
Synalloy Corporation [a,c]	345,000	2,387,400
		14,151,314
Industrial Components - 2.2%		
AMETEK	43,000	2,075,180
Bel Fuse Cl. A	53,200	1,590,680
Belden	97,800	2,062,602
C & D Technologies	50,000	958,500
Donaldson Company	26,000	1,538,160
Penn Engineering & Manufacturing	251,600	4,787,948
Penn Engineering & Manufacturing Cl. A	77,600	1,311,440
PerkinElmer	135,000	2,304,450
Powell Industries [a]	57,400	1,099,210
Woodhead Industries [d]	45,400	767,260
		18,495,430
Machinery - 3.9%		
Coherent [a,d]	208,700	4,967,060
Federal Signal	58,600	1,026,672
Graco	64,550	2,588,455
IDEX Corporation	24,000	998,160
Lincoln Electric Holdings	237,880	5,885,151
National Instruments	47,600	2,164,372
Nordson Corporation	172,200	5,946,066
Oshkosh Truck	15,000	765,450
PAXAR Corporation [a]	333,100	4,463,540
Woodward Governor Company	73,600	4,182,688
		32,987,614
Paper and Packaging - 0.3%		
Peak International [a]	408,400	2,287,040
Pumps, Valves and Bearings - 0.6%		
Baldor Electric	62,900	1,437,265
ConBraCo Industries [a]	7,630	648,550
Denison International ADR [a,b]	79,400	1,897,660
Franklin Electric	23,600	1,427,564
		5,411,039
Specialty Chemicals and Materials - 1.3%		

	SHARES	VALUE
Maxwell Technologies [a]	21,500	$ 152,650
Myers Industries	52,727	639,051
Peerless Mfg. [a,c]	158,600	2,045,940
Steelcase Cl. A	82,500	1,184,700
Trinity Industries	20,000	616,800
		28,137,788
Total (Cost $85,356,675)		137,330,015
Industrial Services — 13.7%		
Advertising/Publishing - 0.4%		
Catalina Marketing [a,d]	60,000	1,209,600
Interpublic Group of Companies [a]	155,000	2,418,000
		3,627,600
Commercial Services - 5.3%		
ABM Industries	179,800	3,130,318
Administaff [a,d]	37,500	651,750
Allied Waste Industries [a]	188,800	2,620,544
Carlisle Holdings [a]	194,900	1,198,635
Central Parking	171,400	2,559,002
Convergys Corporation [a]	149,000	2,601,540
DeVry [a,d]	25,000	628,250
Hewitt Associates Cl. A [a]	40,000	1,196,000
Hudson Highland Group [a,d]	50,549	1,205,594
iGATE Corporation [a]	116,500	914,525
Iron Mountain [a,d]	127,450	5,039,373
Korn/Ferry International [a,d]	140,700	1,876,938
Learning Tree International [a,d]	53,400	928,626
MPS Group [a,d]	609,500	5,698,825
Manpower	55,800	2,627,064
Metro One Telecommunications [a,d]	25,000	65,000
Monster Worldwide [a]	79,000	1,734,840
New Horizons Worldwide [a]	277,500	1,578,697
Pemstar [a,d]	223,000	733,670
RemedyTemp Cl. A [a]	62,500	681,875
Renaissance Learning [a,d]	15,000	361,200
Reynolds & Reynolds Company Cl. A	52,000	1,510,600
Spherion Corporation [a,d]	49,000	479,710
TRC Companies [a,d]	28,000	589,680
United Stationers [a,d]	18,000	736,560
Watson Wyatt & Company Holdings Cl. A [a,d]	77,400	1,869,210
West Corporation [a,d]	75,000	1,742,250
		44,960,276

Arch Chemicals	38,200	980,212
CFC International [a]	123,500	654,550
Hawkins	136,878	1,910,817
MacDermid	226,631	7,759,845
		11,305,424
Steel/Metal Fabrication & Distribution - 1.0%		
Commercial Metals Company	5,000	152,000
Kaydon Corporation [d]	208,700	5,392,808
NN	127,100	1,600,189
Oregon Steel Mills [a]	247,900	1,440,299
		8,585,296
Textiles - 0.2%		
Unifi [a]	245,100	1,580,895
Other Industrial Products - 3.3%		
Albany International Cl. A	45,500	1,542,450
BHA Group Holdings	187,252	4,709,388
Brady Corporation Cl. A	139,400	5,680,550
Diebold [d]	100,000	5,387,000
Kimball International Cl. B	397,380	6,179,259
Engineering and Construction - 1.0%		
EMCOR Group [a,d]	22,000	965,800
Insituform Technologies Cl. A [a,d]	160,000	2,640,000
Jacobs Engineering Group [a]	10,000	480,100
McDermott International [a]	71,000	848,450
Washington Group International [a]	100,000	3,397,000
		8,331,350
Food/Tobacco Processors - 1.3%		
Farmer Bros.	15,000	4,668,750
MGP Ingredients [c]	417,322	6,572,822
		11,241,572
Industrial Distribution - 1.3%		
Central Steel & Wire	3,799	1,500,605
Ritchie Bros. Auctioneers	155,200	8,241,120
Strategic Distribution	115,000	1,611,150
		11,352,875

Royce Value Trust, Inc.

Schedule of Investments — December 31, 2003

	SHARES	VALUE
Industrial Services (continued)		
Printing - 0.7%		
Bowne & Co.	68,100	$ 923,436
Ennis Business Forms	62,700	959,310
Moore Wallace [a]	90,700	1,698,811
New England Business Service	68,800	2,029,600
		5,611,157
Transportation and Logistics - 3.1%		
Gold Fields ADR [b]	57,800	$ 805,732
Hecla Mining Company [a,d]	198,000	1,641,420
MK Gold [a]	517,900	787,208
Stillwater Mining [a]	52,296	500,473
		8,033,963
Real Estate - 1.2%		
Alico	52,000	1,807,520
Chelsea Property Group	20,000	1,096,200

AirNet Systems [a]	219,000	825,630
Alexander & Baldwin	60,000	2,021,400
Brink's Company (The) [d]	137,278	3,103,856
C. H. Robinson Worldwide	40,000	1,516,400
Continental Airlines Cl. B [a,d]	100,000	1,627,000
EGL [a]	173,125	3,040,075
Forward Air [a]	166,500	4,578,750
Frozen Food Express Industries [a]	306,635	2,036,056
Hub Group Cl. A [a]	77,000	1,658,580
Landstar System [a]	33,600	1,278,144
Patriot Transportation Holding [a]	101,300	3,342,900
UTI Worldwide [d]	45,000	1,706,850
		26,735,641
Other Industrial Services - 0.6%		
Landauer	117,900	4,807,962
Total (Cost $81,161,608)		116,668,433
Natural Resources — 7.8%		
Energy Services - 3.3%		
Atwood Oceanics [a,d]	19,700	629,218
Carbo Ceramics	105,600	5,412,000
Core Laboratories [a]	91,200	1,522,128
ENSCO International	6,443	175,056
Global Industries [a]	119,500	615,425
Hanover Compressor Company [a,d]	175,000	1,951,250
Helmerich & Payne	156,400	4,368,252
Hydril Company [a]	25,000	598,250
Input/Output [a,d]	540,100	2,435,851
Precision Drilling [a]	32,500	1,419,600
TETRA Technologies [a]	51,000	1,236,240
Tidewater	21,600	645,408
Universal Compression Holdings [a]	115,000	3,008,400
Veritas DGC [a]	123,000	1,289,040
Willbros Group [a]	242,600	2,916,052
		28,222,170
Oil and Gas - 2.3%		
Tom Brown [a]	125,500	4,047,375
Chesapeake Energy [d]	82,000	1,113,560
Cimarex Energy [a,d]	138,170	3,687,757
Denbury Resources [a]	174,100	2,421,731
EOG Resources	5,000	230,850
Husky Energy	85,000	1,543,661
PetroCorp [a]	61,400	826,444
Prima Energy [a]	43,000	1,511,880
SEACOR SMIT [a]	83,500	3,509,505
Toreador Resources [a]	100,300	466,395
Vintage Petroleum	48,300	581,049

Consolidated-Tomoka Land	13,564	443,543
Public Storage	25,000	1,084,750
Trammell Crow Company [a]	412,400	5,464,300
		9,896,313
Total (Cost $46,347,366)		66,092,653
Technology — 23.3%		
Aerospace/Defense - 0.9%		
Armor Holdings [a,d]	28,000	736,680
Curtiss-Wright [d]	86,600	3,897,866
Ducommun [a]	117,200	2,619,420
Herley Industries [a]	2,000	41,400
		7,295,366
Components and Systems - 6.4%		
Adaptec [a]	99,500	878,585
American Power Conversion [d]	161,200	3,941,340
Analogic Corporation	13,000	533,000
Dionex Corporation [a,d]	89,000	4,095,780
Excel Technology [a]	168,500	5,536,910
Imation Corporation	15,700	551,855
InFocus Corporation [a]	79,000	764,720
Iomega Corporation [d]	35,000	209,300
KEMET Corporation [a,d]	90,000	1,232,100
Kronos [a,d]	38,775	1,535,878
Methode Electronics Cl. A	50,000	611,500
Newport Corporation [a,d]	102,600	1,695,978
Perceptron [a]	397,400	3,020,240
Plexus Corporation [a]	252,600	4,337,142
Radiant Systems [a]	32,500	273,325
Rainbow Technologies [a]	96,900	1,091,094
REMEC [a,d]	189,200	1,591,172
Scitex [a]	245,700	1,238,328
Symbol Technologies	233,600	3,945,504
TTM Technologies [a]	154,500	2,607,960
Technitrol [a]	318,900	6,613,986
Tektronix	65,000	2,054,000
Vishay Intertechnology [a]	65,900	1,509,110
Zebra Technologies Cl. A [a]	74,350	4,934,610
		54,803,417
Distribution - 1.4%		
Anixter International [a,d]	41,900	1,084,372
Arrow Electronics [a,d]	114,700	2,654,158
Avnet [a]	92,355	2,000,409
Insight Enterprises [a]	46,000	864,800
Tech Data [a]	134,500	5,338,305

		19,940,207
Precious Metals and Mining - 1.0%		
AngloGold ADR [b,d]	49,900	2,330,330
Glamis Gold [a]	115,000	1,968,800

		11,942,044
Internet Software and Services - 0.9%		
CNET Networks [a,d]	155,400	1,059,828
CryptoLogic	202,000	2,404,002
CyberSource Corporation [a,d]	10,000	51,600
DoubleClick [a,d]	166,700	1,703,674

ROYCE VALUE TRUST, INC.

SCHEDULE OF INVESTMENTS — DECEMBER 31, 2003

	SHARES	VALUE
Technology (continued)		
Internet Software and Services (continued)		
EarthLink [a]	122,700	$ 1,227,000
RealNetworks [a,d]	85,400	487,634
Satyam Computer Services ADR [b]	20,000	586,600
Stamps.com [a]	58,300	361,460
Vastera [a]	15,000	60,000
		7,941,798
IT Services - 6.0%		
American Management Systems [a,d]	331,900	5,001,733
Answerthink [a]	655,000	3,635,250
BearingPoint [a,d]	482,100	4,864,389
Black Box [d]	47,000	2,165,290
CIBER [a,d]	70,000	606,200
Covansys Corporation [a]	251,600	2,767,600
DiamondCluster International Cl. A [a,d]	137,800	1,405,560
Forrester Research [a,d]	91,500	1,635,105
Gartner Cl. A [a,d]	291,000	3,291,210
CGI Group Cl. A [a]	106,700	666,875
Keane [a]	443,000	6,485,520
MAXIMUS [a,d]	107,400	4,202,562
Perot Systems Cl. A [a]	165,100	2,225,548
QRS Corporation [a]	57,500	466,900
Sapient Corporation [a]	944,400	5,288,640
Syntel	72,400	1,789,004
Unisys Corporation [a,d]	325,000	4,826,250

	SHARES	VALUE
Integral Systems	59,800	$ 1,286,896
JDA Software Group [a]	64,900	1,071,499
MRO Software [a]	46,000	619,160
Macromedia [a,d]	51,600	920,544
ManTech International Cl. A [a,d]	65,000	1,621,750
Manugistics Group [a,d]	49,200	307,500
Novell [a]	96,000	1,009,920
Progress Software [a]	30,500	624,030
SPSS [a,d]	107,500	1,922,100
Transaction Systems Architects Cl. A [a]	212,300	4,804,349
		18,179,009
Telecommunication - 1.4%		
ADC Telecommunications [a,d]	113,000	335,610
Andrew Corporation [a]	30,000	345,300
Catapult Communications [a]	75,100	1,088,950
Covad Communications Group [a,d]	213,000	766,800
Globecomm Systems [a,d]	233,700	1,110,075
IDT Corporation [a]	25,000	553,750
IDT Corporation Cl. B [a,d]	40,000	925,200
Inet Technologies [a]	65,000	780,000
Level 3 Communications [a,d]	388,400	2,213,880
PECO II [a]	93,600	104,926
Plantronics [a,d]	55,100	1,799,015
Time Warner Telecom Cl. A [a]	179,000	1,813,270
		11,836,776

		51,323,636
Semiconductors and Equipment - 4.2%		
Artisan Components [a,d]	15,000	307,500
BE Semiconductor Industries [a]	58,000	492,420
Cabot Microelectronics [a]	125,000	6,125,000
CEVA [a,d]	31,666	329,326
Cognex Corporation	118,400	3,343,616
Credence Systems [a,d]	10,600	139,496
Cymer [a,d]	14,500	669,755
DSP Group [a]	115,000	2,864,650
DuPont Photomasks [a,d]	35,000	844,900
Electroglas [a,d]	281,700	1,028,205
Exar Corporation [a]	69,400	1,185,352
Fairchild Semiconductor Cl. A [a]	66,200	1,653,014
GlobespanVirata [a]	76,000	446,880
Helix Technology	36,900	759,402
Integrated Circuit Systems [a]	75,000	2,136,750
Intevac [a]	109,050	1,538,696
Kulicke & Soffa Industries [a]	105,800	1,521,404
Lattice Semiconductor [a,d]	254,000	2,458,720
Mentor Graphics [a]	225,700	3,281,678
National Semiconductor [a]	38,200	1,505,462
Novellus Systems [a]	12,000	504,600
Semitool [a]	50,000	536,050
Veeco Instruments [a,d]	65,000	1,833,000
		35,505,876
Software - 2.1%		
ANSYS [a]	10,000	397,000
Aspen Technology [a,d]	27,100	278,046
Autodesk	106,000	2,605,480
Business Objects ADR [a,b,d]	20,500	710,735

Total (Cost $139,099,913)		198,827,922
Utilities 0.1%		
Southern Union [a]	10,500	193,200
Total (Cost $132,500)		193,200
Miscellaneous 3.6%		
Total (Cost $25,222,259)		30,284,076
TOTAL COMMON STOCKS (Cost $602,959,556)		880,976,499
PREFERRED STOCK 0.1%		
Aristotle Corporation 11.00% Conv.	4,800	36,720
TOTAL PREFERRED STOCK (Cost $31,005)		36,720
	PRINCIPAL AMOUNT	
CORPORATE BONDS 0.2%		
Dixie Group 7.00% Conv. Sub. Deb. due 5/15/12	$ 537,000	472,560
Richardson Electronics 7.25% Conv. Sub. Deb. due 12/15/06	1,319,000	1,213,480
TOTAL CORPORATE BONDS (Cost $1,570,870)		1,686,040
U.S. TREASURY OBLIGATIONS 3.2%		
U.S. Treasury Notes 5.625%, due 2/15/06	25,000,000	26,942,375
TOTAL U.S. TREASURY OBLIGATIONS (Cost $26,849,375)		26,942,375

ROYCE VALUE TRUST, INC.

SCHEDULE OF INVESTMENTS — DECEMBER 31, 2003

	VALUE
REPURCHASE AGREEMENT 19.0%	
State Street Bank & Trust Company, 0.30% dated 12/31/03, due 1/2/04, maturity value $162,203,703 (collateralized by U.S. Treasury Bonds, 0.00% due 3/25/04 and U.S. Treasury Notes, 1.50%-1.75% due 12/31/04-7/31/05, valued at $165,454,825) (Cost $162,201,000)	$ 162,201,000
COLLATERAL RECEIVED FOR SECURITIES LOANED 8.3%	
U.S. Treasury Bonds 10.375%-12.00% due 11/15/12-8/15/13	42,769
U.S. Treasury Notes 2.125%-3.875% due 5/31/04-7/15/12	5,623
U.S. Treasury Bills due 2/5/04	3,625
Money Market Funds State Street Navigator Securities Lending Prime Portfolio	$ 70,716,012
Total (Cost $70,768,029)	70,768,029
TOTAL INVESTMENTS 134.3% (Cost $864,379,835)	1,142,610,663
LIABILITIES LESS CASH AND OTHER ASSETS (8.4)%	(71,837,548)
PREFERRED STOCK (25.9)%	(220,000,000)
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS 100.0%	**$ 850,773,115**

[a] Non-income producing.
[b] American Depository Receipt.
[c] At December 31, 2003, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940. The market value and cost of the affiliates at December 31, 2003 was $18,656,762 and $15,311,408, respectively.
[d] A portion of these securities were on loan at December 31, 2003. Total market value of loaned securities at December 31, 2003 was $67,367,384.
[e] A security for which market quotations are no longer readily available represents 0.3% of net assets. This security has been valued at its fair value under procedures established by the Fund's Board of Directors.
 New additions in 2003.
Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2003 market value.

INCOME TAX INFORMATION: The cost of total investments for Federal income tax purposes was $867,973,689. At December 31, 2003, net unrealized appreciation for all securities was $274,636,974, consisting of aggregate gross unrealized appreciation of $317,612,471 and aggregate gross unrealized depreciation of $42,975,497. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and amortization of discount for book and tax purposes.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

ROYCE VALUE TRUST, INC.

Statement of Assets and Liabilities

	December 31, 2003
ASSETS:	
Investments at value (cost $702,178,835) including $70,768,029 of collateral on loaned securities	$ 980,409,663
Repurchase agreement (at cost and value)	162,201,000
Cash	204,977
Receivable for investments sold	763,629
Receivable for dividends and interest	1,008,448
Prepaid expenses	20,856
Total Assets	1,144,608,573
LIABILITIES:	
Payable for collateral on loaned securities	70,768,029
Payable for investments purchased	1,612,603
Payable for investment advisory fee	977,568
Preferred dividends accrued but not yet declared	288,449
Accrued expenses	188,809
Total Liabilities	73,835,458
PREFERRED STOCK:	
5.90% Cumulative Preferred Stock $0.001 par value, $25 liquidation value per share; 8,800,000 shares outstanding	220,000,000
Total Preferred Stock	220,000,000
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 850,773,115
ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:	
Common Stock paid-in capital $0.001 par value per share; 49,956,349 shares outstanding (150,000,000 shares authorized)	$ 577,693,079
Accumulated net realized loss on investments	(4,862,343)
Net unrealized appreciation on investments	278,230,828
Preferred dividends accrued but not yet declared	(288,449)
Net Assets applicable to Common Stockholders (net asset value per share $17.03)	$ 850,773,115

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Royce Value Trust, Inc.

Statement of Operations	Year Ended December 31, 2003

INVESTMENT INCOME:	
Income:	
Dividends	$ 6,586,470
Interest	1,147,303
Securities lending	139,448
Total income	7,873,221
Expenses:	
Investment advisory fees	10,196,974
Stockholder reports	354,471
Custody and transfer agent fees	221,988
Administrative and office facilities expenses	113,988
Professional fees	110,794
Directors fees	103,168
Other expenses	131,674
Total expenses	11,233,057
Fees waived by investment advisor	(866,667)
Net expenses	10,366,390
Net investment loss	(2,493,169)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Net realized gain on investments	74,989,675
Net change in unrealized appreciation on investments	208,275,790
Net realized and unrealized gain on investments	283,265,465
NET INCREASE IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS	280,772,296
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS	(12,274,332)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS	$268,497,964

Statement of Changes in Net Assets

	Year ended December 31, 2003	Year ended December 31, 2002
INVESTMENT OPERATIONS:		
Net investment loss	$ (2,493,169)	$ (583,347)
Net realized gain on investments	74,989,675	62,933,497
Net change in unrealized appreciation on investments	208,275,790	(156,381,089)
Net increase (decrease) in net assets resulting from investment operations	280,772,296	(94,030,939)
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:		
Net investment income		(581,030)

Net realized gain on investments	(12,252,107)	(11,398,970)
Quarterly distributions accrued but not yet declared	(22,225)	—
Total distributions to Preferred Stockholders	(12,274,332)	(11,980,000)
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS	268,497,964	(106,010,939)
DISTRIBUTIONS TO COMMON STOCKHOLDERS:		
Net investment income	—	(2,981,664)
Net realized gain on investments	(61,293,595)	(58,496,049)
Total distributions to Common Stockholders	(61,293,595)	(61,477,713)
CAPITAL STOCK TRANSACTIONS:		
Net proceeds from rights offering	54,487,617	—
Offering costs from issuance of Preferred Stock	(7,261,800)	—
Reinvestment of distributions to Common Stockholders	35,567,306	39,123,307
Total capital stock transactions	82,793,123	39,123,307
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	289,997,492	(128,365,345)
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:		
Beginning of year	560,775,623	689,140,968
End of year	$850,773,115	$ 560,775,623

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Royce Value Trust, Inc.

Financial Highlights

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

	Years ended December 31,				
	2003	2002	2001	2000	1999
NET ASSET VALUE, BEGINNING OF PERIOD	$13.22	$17.31	$16.56	$15.77	$15.72
INVESTMENT OPERATIONS:					
Net investment income (loss)	(0.05)	(0.02)	0.05	0.18	0.26

Net realized and unrealized gain (loss) on investments	5.64	(2.25)	2.58	2.58	1.65
Total investment operations	5.59	(2.27)	2.63	2.76	1.91
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:					
Net investment income	—	(0.01)	(0.01)	(0.03)	(0.04)
Net realized gain on investments	(0.26)	(0.28)	(0.30)	(0.30)	(0.32)
Total distributions to Preferred Stockholders	(0.26)	(0.29)	(0.31)	(0.33)	(0.36)
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS	5.33	(2.56)	2.32	2.43	1.55
DISTRIBUTIONS TO COMMON STOCKHOLDERS:					
Net investment income	—	(0.07)	(0.05)	(0.13)	(0.15)
Net realized gain on investments	(1.30)	(1.44)	(1.44)	(1.35)	(1.22)
Total distributions to Common Stockholders	(1.30)	(1.51)	(1.49)	(1.48)	(1.37)
CAPITAL STOCK TRANSACTIONS:					
Effect of reinvestment of distributions by Common Stockholders	(0.00)	(0.02)	(0.08)	(0.16)	(0.13)
Effect of rights offering and Preferred Stock offering	(0.22)	—	—	—	—
Total capital stock transactions	(0.22)	(0.02)	(0.08)	(0.16)	(0.13)
NET ASSET VALUE, END OF PERIOD	$17.03	$13.22	$17.31	$16.56	$15.77
MARKET VALUE, END OF PERIOD	$17.21	$13.25	$15.72	$14.438	$13.063
TOTAL RETURN (a):					
Market Value	42.0%	(6.9)%	20.0%	22.7%	5.7%
Net Asset Value	40.8%	(15.6)%	15.2%	16.6%	11.7%
RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:					
Total expenses (b,c)	1.49%	1.72%	1.61%	1.43%	1.39%
Management fee expense	1.34%	1.56%	1.45%	1.25%	1.18%
Other operating expenses	0.15%	0.16%	0.16%	0.18%	0.21%
Net investment income (loss)	(0.36)%	(0.09)%	0.35%	1.18%	1.47%
SUPPLEMENTAL DATA:					
Net Assets Applicable to Common Stockholders, End of Period (in thousands)	$850,773	$560,776	$689,141	$623,262	$552,928
Liquidation Value of Preferred Stock, End of Period (in thousands)	$220,000	$160,000	$160,000	$160,000	$160,000
Portfolio Turnover Rate	23%	35%	30%	36%	41%
PREFERRED STOCK:					
Total shares outstanding	8,800,000	6,400,000	6,400,000	6,400,000	6,400,000
Asset coverage per share	$121.68	$112.62	$132.68	$122.38	$111.40
Liquidation preference per share	$25.00	$25.00	$25.00	$25.00	$25.00

Average market value per share (d):					
5.90% Cumulative	$25.04				
7.80% Cumulative	$25.87	$26.37	$25.70	$23.44	$24.98
7.30% Tax-Advantaged Cumulative	$25.53	$25.82	$25.37	$22.35	$24.24

(a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.

(b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.19%, 1.38%, 1.30%, 1.12% and 1.06% for the periods ended December 31, 2003, 2002, 2001, 2000 and 1999, respectively.

(c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.62%, 1.82%, 1.65%, 1.51% and 1.48% for the periods ended December 31, 2003, 2002, 2001, 2000 and 1999, respectively.

(d) The average of month-end market values during the period that the preferred stock was outstanding.

Royce Value Trust, Inc.

Notes to Financial Statements

Summary of Significant Accounting Policies:

Royce Value Trust, Inc. ("the Fund") was incorporated under the laws of the State of Maryland on July 1, 1986 as a diversified closed-end investment company. The Fund commenced operations on November 26, 1986.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange or Nasdaq are valued at their last reported sales price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

Investment Transactions and Related Investment Income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date and any non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

Expenses:

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors' Fees otherwise payable. The deferred fees are invested in certain Royce Funds until distributed in accordance with the agreement.

Taxes:

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

Distributions:

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

Repurchase Agreements:

The Fund enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

Securities Lending:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

ROYCE VALUE TRUST, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Capital Stock:

The Fund issued 2,448,904 and 2,615,641 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2003 and 2002, respectively.

On March 10, 2003, the Fund completed a rights offering of Common Stock to its stockholders at the rate of one common share for each 10 rights held by stockholders of record on January 28, 2003. The rights offering was fully subscribed, resulting in the issuance of 5,090,083 common shares at a price of $10.77, and proceeds of $54,820,194 to the Fund prior to the deduction of estimated expenses of $332,577. The net asset value per share of the Fund's Common Stock was reduced by approximately $0.07 per share as a result of the issuance.

On October 10, 2003, the Fund redeemed all (2,400,000 shares) of its then outstanding 7.80% Cumulative Preferred Stock at the redemption price of $25.00 per share plus accumulated and unpaid dividends through the redemption date of $0.0975 per share, and all (4,000,000 shares) of its outstanding 7.30% Tax-Advantaged Cumulative Preferred Stock at the redemption price of $25.00 per share plus accumulated and unpaid dividends through the redemption date of $0.09125 per share. On October 9, 2003, the Fund received net proceeds of $213,070,000 (after underwriting discounts of $6,930,000 and before estimated offering expenses of $331,800) from the public offering of 8,800,000 shares of 5.90% Cumulative Preferred Stock. Commencing October 9, 2008 and thereafter, the Fund, at its option, may redeem the 5.90% Cumulative Preferred Stock, in whole or in part, at the redemption price.

At December 31, 2003, 8,800,000 shares of the 5.90% Cumulative Preferred Stock were outstanding. The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of $25.00 per share plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Stockholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Preferred Stock.

Under Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, preferred securities that are redeemable for cash or other assets are to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer. Subject to the guidance of the EITF, the Fund's Cumulative Preferred Stock has been reclassified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements.

Investment Advisory Agreement:

As compensation for its services under the Investment Advisory Agreement, Royce & Associates, LLC (Royce) receives a fee comprised of a Basic Fee (Basic Fee) and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the S&P 600 SmallCap Index (S&P 600).

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Funds month-end net assets applicable to Common Stockholders plus the liquidation value of Preferred Stock for the rolling 60-month period ending with such month. The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the S&P 600 for the performance period by more than two percentage points. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the S&P 600 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the S&P 600 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

Notwithstanding the foregoing, Royce is not entitled to receive any fee for any month when the investment performance of the Fund for the rolling 36-month period ending with such month is negative. In the event that the Funds investment performance for such a performance period is less than zero, Royce will not be required to refund to the Fund any fee earned in respect of any prior performance period.

Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to an issue of the Funds Preferred Stock for any month in which the Funds average annual NAV total return since issuance of the Preferred Stock fails to exceed the applicable Preferred Stock dividend rate.

For the year ended December 31, 2003 the Fund accrued and paid Royce advisory fees totaling $9,330,307, which is net of $866,667 voluntarily waived by Royce.

Royce Value Trust, Inc.

Notes to Financial Statements (continued)

Distributions to Stockholders:

The tax character of distributions paid to stockholders during 2003 and 2002 was as follows:

Distributions paid from:	2003	2002
Ordinary income	$ 1,416,811	$ 6,028,029

Long-term capital gain	72,128,891	67,429,684
	$ 73,545,702	$ 73,457,713

As of December 31, 2003, the tax basis components of distributable earnings included in stockholders equity were as follows:

Post October loss	$ (2,394,565)
Undistributed long-term capital gain	1,126,076
Unrealized appreciation	274,636,974
Accrued preferred distributions	(288,449)
	$ 273,080,036

Under current tax law, capital losses realized after October 31 and prior to the Funds fiscal year end may be deferred, as occuring on the first day of the following fiscal year.
For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book / tax differences. For the year ended December 31, 2003, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

Undistributed Net Investment Income	Accumulated Net Realized Gain (Loss)	Paid-in Capital
$ 2,493,169	$ (2,493,169)	$

Purchases and Sales of Investment Securities:
For the year ended December 31, 2003, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to $183,043,350 and $265,871,410, respectively.

Transactions in Shares of Affiliated Companies:
An Affiliated Company, as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the companys outstanding voting securities. The Fund effected the following transactions in shares of such companies during the year ended December 31, 2003:

Affiliated Company	Market Value 12/31/02	Purchases	Sales	Realized and Unrealized Gain (Loss)	Dividend Income	Market Value 12/31/03
Ascent Media Group Cl. A	$ 426,608		$ 1,224,840	$ 78,658		$ 0
CompX International	0	$ 2,531,550		554,530		3,086,080
Falcon Products	1,526,850	1,635,894	291,955	312,941		3,351,040
MGP Ingredients	2,505,360	842,029		3,225,433	$ 48,180	6,572,822
Peerless Mfg.	1,316,380			729,560		2,045,940
Richardson Electronics 7.25% Conv. due 12/15/06	1,055,200			158,280		1,213,480
Synalloy Corporation	0	1,797,450		589,950		2,387,400

Royce Value Trust, Inc.

Report of Independent Auditors

To the Board of Directors and Stockholders of Royce Value Trust, Inc.

We have audited the accompanying statement of assets and liabilities of Royce Value Trust, Inc., including the schedule of investments, as of December 31, 2003, and the related statement of operations for the year then ended, and the statement of changes in net assets for the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2003, 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Value Trust, Inc. at December 31, 2003, 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 the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

Philadelphia, PA
January 24, 2004

Royce Micro-Cap Trust, Inc.

Schedule of Investments — December 31, 2003

COMMON STOCKS — 102.4%

	SHARES	VALUE
Consumer Products — 9.0%		
Apparel and Shoes - 2.7%		
Ashworth [a]	40,000	$ 322,800
Delta Apparel	146,500	2,609,165
Innovo Group [a,c]	90,000	286,200
Kleinert’s [a,d]	14,200	0
Marisa Christina [a]	76,600	122,560
Oshkosh B’Gosh Cl. A [c]	37,000	794,020
Skechers U.S.A. Cl. A [a,c]	47,000	383,050
Vans [a]	20,000	228,200
Weyco Group	60,000	2,018,940
		6,764,935
Collectibles - 1.0%		
The Boyds Collection [a,c]	227,700	967,725
Enesco Group [a]	52,400	540,768
Topps Company (The)	101,000	1,036,260
		2,544,753
Food/Beverage/Tobacco - 1.4%		
800 JR Cigar [a,d]	193,000	2,509,000
Green Mountain Coffee Roasters [a]	28,600	658,372
Monterey Pasta Company [a]	79,000	294,670
		3,462,042
Home Furnishing/Appliances - 1.2%		
Bassett Furniture Industries	26,300	433,950
Falcon Products [a]	150,000	660,000
Lifetime Hoan [c]	109,854	1,856,533
Stanley Furniture Company [c]	2,500	78,750
		3,029,233
Publishing - 0.4%		
Information Holdings [a]	40,000	884,000
Sports and Recreation - 1.0%		
Johnson Outdoors Cl. A [a]	33,600	504,101
Monaco Coach [a]	75,900	1,806,420
National R.V. Holdings [a]	31,800	316,410

	SHARES	VALUE
Restaurants/Lodgings - 0.2%		
Angelo and Maxie’s [a]	3,333	$ 4,733
Benihana Cl. A [a]	34,770	446,794
BUCA [a,c]	30,000	204,300
		655,827
Retail Stores - 4.0%		
Brookstone [a]	34,500	735,195
Buckle (The)	36,500	808,475
Cato Corporation Cl. A	58,000	1,189,000
Deb Shops	19,900	427,850
Dress Barn (The) [a]	53,660	804,363
FTD Cl. A [a,c]	10,000	246,400
Footstar [a,c]	97,000	371,510
InterTAN [a]	49,800	503,976
La Senza Corporation	99,900	977,858
Stein Mart [a]	285,200	2,350,048
United Retail Group [a]	60,600	179,376
Wet Seal (The) Cl. A [a,c]	157,000	1,552,730
		10,146,781
Other Consumer Services - 0.6%		
Ambassadors Group	7,500	176,175
Ambassadors International	6,100	76,250
E-LOAN [a,c]	80,500	239,890
First Cash Financial Services [a]	12,000	307,692
Rent-Way [a,c]	81,000	663,390
		1,463,397
Total (Cost $9,437,883)		12,977,275
Diversified Investment Companies — 0.4%		
Closed-End Mutual Funds - 0.4%		
Central Fund of Canada Cl. A	197,000	1,034,250
Total (Cost $856,524)		1,034,250
Financial Intermediaries — 6.1%		
Banking - 1.6%		
First Midwest Financial	64,800	1,399,680

		2,626,931
Other Consumer Products - 1.3%		
Concord Camera [a,c]	30,000	277,500
Cross (A. T.) & Company Cl. A [a,c]	100,000	667,000
First Years (The)	25,600	382,464
JAKKS Pacific [a]	35,000	460,600
Lazare Kaplan International [a]	151,700	1,054,315
Water Pik Technologies [a]	46,500	570,555
		3,412,434
Total (Cost $14,988,862)		22,724,328
Consumer Services 5.1%		
Direct Marketing - 0.1%		
ValueVision Media Cl. A [a,c]	5,000	83,500
Leisure/Entertainment - 0.2%		
IMAX Corporation [a,c]	25,000	197,750
Singing Machine Company (The) [a,c]	118,000	282,020
TiVo [a,c]	20,000	148,000
		627,770

First National Lincoln	13,400	668,633
Lakeland Financial	22,500	794,700
Pacific Mercantile Bancorp [a,c]	15,000	145,050
Queen City Investments [a]	948	475,896
Sterling Bancorp	18,150	517,275
		4,001,234
Insurance - 4.5%		
Argonaut Group [a,c]	30,900	480,186
Ceres Group [a]	50,300	293,752
Independence Holding	18,630	442,463
NYMAGIC	67,900	1,861,818
Navigators Group [a,c]	37,200	1,148,364
PICO Holdings [a]	145,100	2,273,717
PMA Capital Cl. A [c]	80,000	409,600
PXRE Group	73,164	1,724,475
ProAssurance Corporation [a,c]	48,800	1,568,920
Wellington Underwriting	444,712	615,221
Zenith National Insurance	19,100	621,705
		11,440,221
Total (Cost $10,718,653)		15,441,455

Royce Micro-Cap Trust, Inc.

Schedule of Investments — December 31, 2003

	SHARES	VALUE
Financial Services 1.0%		
Insurance Brokers - 0.4%		
Clark [a,c]	20,900	$ 402,116
CorVel Corporation [a,c]	18,750	705,000
		1,107,116
Other Financial Services - 0.6%		

	SHARES	VALUE
Exactech [a]	63,000	$ 929,250
Interpore International [a,c]	22,600	293,800
Medical Action Industries [a,c]	43,500	813,885
Molecular Devices [a]	25,500	484,245
NMT Medical [a]	44,000	198,000
Orthofix International [a,c]	29,500	1,444,910
Osteotech [a]	22,100	194,480
PLC Systems [a]	105,200	122,032

MicroFinancial [a]	10,000	29,000
PRG-Schultz International [a,c]	305,000	1,494,500
		1,523,500
Total (Cost $2,163,397)		2,630,616
Health 11.1%		
Commercial Services - 3.7%		
BioReliance Corporation [a]	35,300	1,688,046
Bruker BioSciences [a]	200,300	911,365
First Consulting Group [a]	254,700	1,433,961
ICON ADR [a,b]	800	34,880
PAREXEL International [a,c]	121,400	1,973,964
The TriZetto Group [a,c]	181,500	1,170,675
Young Innovations	61,450	2,212,200
		9,425,091
Drugs and Biotech - 1.9%		
Antigenics [a,c]	60,800	688,256
Arena Pharmaceuticals [a,c]	14,000	86,800
BioSource International [a]	177,900	1,204,383
DUSA Pharmaceuticals [a]	20,000	101,000
Emisphere Technologies [a,c]	187,200	1,025,856
Geron Corporation [a,c]	6,000	59,820
Myriad Genetics [a,c]	55,000	707,300
Nabi Biopharmaceuticals [a]	5,000	63,550
Sangamo BioSciences [a]	10,000	55,400
VIVUS [a]	167,200	633,688
		4,626,053
Health Services - 1.5%		
ATC Healthcare Cl. A [a]	35,000	21,000
aaiPharma [a,c]	31,600	793,792
Covalent Group [a]	25,000	63,775
MIM Corporation [a,c]	68,100	478,743
MedCath Corporation [a,c]	18,000	188,280
Quovadx [a]	65,000	318,500
RehabCare Group [a,c]	25,000	531,500
SFBC International [a,c]	10,000	265,600
Sierra Health Services [a,c]	40,000	1,098,000
Superior Consultant Holdings [a]	10,000	41,300
		3,800,490
Personal Care - 1.0%		
Compex Technologies [a,c]	47,000	392,920
Helen of Troy [a,c]	20,000	463,000
Lifeline Systems [a]	18,000	342,000

Utah Medical Products [a]	42,300	1,096,416
		7,675,748
Total (Cost $18,685,321)		28,155,060
Industrial Products 14.8%		
Automotive - 0.6%		
Spartan Motors	40,800	412,080
Wescast Industries Cl. A	37,900	1,118,050
		1,530,130
Building Systems and Components - 2.0%		
Drew Industries [a]	15,000	417,000
Juno Lighting [a]	121,600	2,736,000
LSI Industries	67,812	915,462
Skyline Corporation	32,100	1,119,327
		5,187,789
Construction Materials - 1.8%		
Ash Grove Cement Company	8,000	944,000
Florida Rock Industries	25,000	1,371,250
Monarch Cement	50,410	958,294
Synalloy Corporation [a]	171,000	1,183,320
		4,456,864
Industrial Components - 2.7%		
Aaon [a]	47,500	921,975
Bel Fuse Cl. A	52,600	1,572,740
Penn Engineering & Manufacturing	56,600	1,077,098
Penn Engineering & Manufacturing Cl. A	30,800	520,520
Planar Systems [a,c]	10,000	243,200
Powell Industries [a]	85,800	1,643,070
Scientific Technologies [a]	10,700	49,776
Tech/Ops Sevcon	76,200	417,576
II-VI [a]	10,000	258,000
Woodhead Industries [c]	10,000	169,000
		6,872,955
Machinery - 0.8%		
Astec Industries [a]	40,200	493,254
Cascade Corporation	5,000	111,500
Hurco Companies [a]	16,100	86,135
LeCroy Corporation [a,c]	14,000	252,140
Lindsay Manufacturing [c]	10,000	252,500
MTS Systems	10,000	192,300
Mueller (Paul) Company	13,650	542,041

Ocular Sciences [a,c]	49,800	1,429,758
		2,627,678
Surgical Products and Devices - 3.0%		
Aksys [a,c]	76,000	671,080
Allied Healthcare Products [a]	258,400	994,840
Cantel Medical [a]	21,000	339,990
CONMED Corporation [a,c]	3,900	92,820
		1,929,870
Paper and Packaging - 0.1%		
Mod-Pac Corporation [a,c]	23,200	185,368
Pumps, Valves and Bearings - 1.5%		
Denison International ADR [a,b]	113,500	2,712,650
Sun Hydraulics	152,550	1,096,835
		3,809,485

Royce Micro-Cap Trust, Inc.

Schedule of Investments — December 31, 2003

	SHARES	VALUE
Industrial Products (continued)		
Specialty Chemicals and Materials - 2.6%		
Aceto	87,631	$ 2,238,096
American Pacific	36,000	345,600
Balchem Corporation	10,000	228,000
CFC International [a]	144,700	766,910
Eastern Company (The)	54,627	854,366
Hawkins	122,667	1,712,431
NuCo2 [a,c]	20,000	253,400
Park Electrochemical	10,000	264,900
		6,663,703
Steel/Metal Fabrication & Distribution - 0.9%		
Encore Wire [a]	10,000	177,100
Metals USA [a]	60,000	604,200
NN	112,300	1,413,857
Universal Stainless & Alloy Products [a,c]	7,700	83,160
		2,278,317
Engineering and Construction - 0.8%		
Comfort Systems USA [a]	122,200	$ 669,656
Devcon International [a]	21,700	151,900
Insituform Technologies Cl. A [a,c]	70,000	1,155,000
Keith Companies [a]	10,000	136,200
		2,112,756
Food/Tobacco Processors - 1.2%		
Galaxy Nutritional Foods [a]	108,500	272,335
ML Macadamia Orchards LP Cl. A	120,200	438,730
Seneca Foods Cl. A [a]	62,500	1,343,750
Seneca Foods Cl. B [a]	42,500	935,000
		2,989,815
Industrial Distribution - 0.8%		
Central Steel & Wire	1,200	474,000
Elamex [a]	70,200	175,500
Lawson Products	16,200	537,516
Strategic Distribution	59,690	836,257

Textiles - 0.1%		
Fab Industries [a]	56,400	296,100
Other Industrial Products - 1.7%		
BHA Group Holdings	96,915	2,437,412
Maxwell Technologies [a,c]	15,300	108,630
Myers Industries	29,342	355,625
Peerless Mfg. [a]	43,200	557,280
Quixote Corporation	36,000	878,760
		4,337,707
Total (Cost $23,301,321)		37,548,288
Industrial Services 14.1%		
Advertising/Publishing - 0.8%		
FindWhat.com [a,c]	10,000	187,500
Modem Media Cl. A [a]	141,200	1,153,604
NetRatings [a]	50,000	571,500
		1,912,604
Commercial Services - 6.7%		
APAC Customer Services [a,c]	139,900	363,740
Administaff [a,c]	10,000	173,800
American Bank Note Holographics [a]	267,200	408,816
Bennett Environmental [a,c]	10,000	206,600
Butler International [a]	38,500	58,135
Carlisle Holdings [a]	390,000	2,398,500
Edgewater Technology [a]	18,339	89,128
Exponent [a]	67,900	1,453,060
iGATE Corporation [a]	299,700	2,352,645
Innodata Isogen [a]	125,000	500,000
Kforce [a]	55,000	513,700
Manufacturers Services [a,c]	139,000	845,120
NCO Group [a,c]	20,000	455,400
NIC [a,c]	26,800	215,204
New Horizons Worldwide [a]	141,000	802,149
Pegasystems [a]	165,500	1,426,610
Pemstar [a,c]	96,500	317,485
RemedyTemp Cl. A [a]	98,200	1,071,362
TRC Companies [a,c]	17,400	366,444
Volt Information Sciences [a]	36,600	827,160
Wackenhut Corrections [a]	54,200	1,235,760
Westaff [a]	362,500	848,250
		16,929,068

		2,023,273
Printing - 1.1%		
Bowne & Co.	66,500	901,740
Ennis Business Forms [c]	11,200	171,360
New England Business Service	32,400	955,800
Schawk Cl. A	56,700	772,821
		2,801,721
Transportation and Logistics - 2.1%		
AirNet Systems [a]	196,000	738,920
Forward Air [a]	43,800	1,204,500
Frozen Food Express Industries [a]	213,500	1,417,640
Hub Group Cl. A [a]	6,500	140,010
Knight Transportation [a,c]	38,925	998,426
Patriot Transportation Holding [a]	28,400	937,200
		5,436,696
Other Industrial Services - 0.6%		
Landauer	21,300	868,614
Team [a]	55,500	569,430
		1,438,044
Total (Cost $22,497,759)		35,643,977
Natural Resources 9.1%		
Energy Services - 3.4%		
Carbo Ceramics	33,600	1,722,000
Core Laboratories [a]	24,000	400,560
Dril-Quip [a]	66,500	1,083,950
GulfMark Offshore [a]	69,200	968,800
Input/Output [a,c]	168,500	759,935
Lufkin Industries	34,800	1,001,892
NATCO Group Cl. A [a]	100,400	762,036
Valley National Gases [a]	30,100	210,700
Veritas DGC [a]	93,400	978,832
Willbros Group [a]	55,900	671,918
		8,560,623
Oil and Gas - 3.1%		
Bonavista Energy Trust	142,000	2,306,326
Contango Oil & Gas Company [a]	50,000	349,500
Denbury Resources [a]	73,800	1,026,558
Evergreen Resources [a,c]	35,000	1,137,850
Nuvista Energy [a]	121,000	744,342

Royce Micro-Cap Trust, Inc.

Schedule of Investments December 31, 2003

	SHARES	VALUE
Natural Resources (continued)		
Oil and Gas (continued)		
PetroCorp [a]	104,200	$ 1,402,532
Prima Energy [a]	21,000	738,360
Toreador Resources [a]	30,000	139,500
		7,844,968
Precious Metals and Mining - 1.1%		
Apex Silver Mines [a]	79,600	1,663,640
Brush Engineered Materials [a,c]	15,500	237,305
MK Gold [a]	603,700	917,624
		2,818,569
Real Estate - 1.5%		
HomeFed Corporation [a]	69,352	2,011,208
Liberte Investors [a,c]	247,700	1,748,762
Stratus Properties [a]	11,000	110,220
		3,870,190
Total (Cost $11,038,470)		23,094,350
Technology – 26.7%		
Aerospace/Defense - 2.9%		
Astronics Corporation [a]	83,800	419,000
CPI Aerostructures [a]	56,000	666,400
Ducommun [a]	99,500	2,223,825
Fairchild Corporation (The) Cl. A [a,c]	57,500	289,800
HEICO Corporation	66,600	1,212,120
Herley Industries [a]	81,000	1,676,700
Kaman Corporation Cl. A	22,500	286,425
MAIR Holdings [a,c]	51,600	375,648
SIFCO Industries [a]	45,800	191,902
		7,341,820
Jaco Electronics [a]	38,000	$ 261,820
Nu Horizons Electronics [a,c]	40,000	392,000
Pomeroy IT Solutions	33,000	486,420
Richardson Electronics	206,600	2,539,114
		4,905,674
Internet Software and Services - 0.8%		
Keynote Systems [a]	5,000	59,500
Lionbridge Technologies [a,c]	37,500	360,375
LookSmart [a,c]	20,000	31,000
Overstock.com [a,c]	14,500	287,970
RealNetworks [a,c]	65,700	375,147
Register.com [a]	41,857	219,749
Stamps.com [a]	111,000	688,200
		2,021,941
IT Services - 6.1%		
CIBER [a]	205,000	1,775,300
Computer Task Group [a]	341,100	1,326,879
Covansys Corporation [a]	265,500	2,920,500
DiamondCluster International Cl. A [a,c]	168,100	1,714,620
DynTek Cl. A [a,c]	199,000	143,280
Forrester Research [a]	105,500	1,885,285
Sapient Corporation [a]	685,000	3,836,000
SCB Computer Technology [a]	50,000	103,000
Syntel	56,800	1,403,528
Technology Solutions [a]	50,000	62,550
Tier Technologies Cl. B [a]	33,500	273,695
Tyler Technologies [a]	15,000	144,450
		15,589,087
Semiconductors and Equipment - 1.8%		
August Technology [a]	2,000	37,100
Exar Corporation [a]	68,500	1,169,980

Components and Systems - 5.3%		
Advanced Photonix Cl. A [a]	371,400	772,512
Bonso Electronics International[c]	50,000	410,000
CSP [a]	132,581	816,699
Cable Design Technologies [a,c]	30,000	269,700
Del Global Technologies [a]	168,279	336,558
Excel Technology [a]	97,900	3,216,994
Intrusion [a]	75,000	44,250
Kronos [a,c]	17,375	688,224
Lantronix [a]	219,500	256,815
MOCON	22,600	183,060
Mobility Electronics [a,c]	1,000	8,941
Newport Corporation [a,c]	45,000	743,850
OSI Systems [a]	22,000	422,620
Performance Technologies [a]	45,750	651,938
Plexus Corporation [a,c]	24,500	420,665
Printronix [a]	35,000	614,565
Rainbow Technologies [a]	31,500	354,690
REMEC [a,c]	172,500	1,450,725
Spectrum Control [a]	12,500	99,513
TransAct Technologies [a]	68,200	1,650,440
		13,412,759
Distribution - 1.9%		
Agilysys	90,000	1,003,500
Bell Industries [a]	85,700	222,820

FSI International [a,c]	34,500	254,610
Helix Technology	9,500	195,510
Inficon Holding ADR [a,b,c]	10,000	86,500
Intevac [a]	72,450	1,022,269
PDF Solutions [a,c]	30,000	447,000
Photronics [a,c]	29,750	592,620
Semitool [a,c]	25,500	273,386
Xicor [a,c]	35,000	396,900
		4,475,875
Software - 5.2%		
Aladdin Knowledge Systems [a]	77,300	690,289
ANSYS [a]	15,400	611,380
Applix [a]	20,000	70,600
ILOG ADR [a,b,c]	35,000	430,500
Indus International [a,c]	169,800	509,400
Integral Systems	58,300	1,254,616
JDA Software Group [a]	59,500	982,345
MSC.Software [a,c]	58,700	554,715
PLATO Learning [a]	121,142	1,278,048
SCO Group (The) [a,c]	23,500	399,500
SPSS [a,c]	91,900	1,643,172
Transaction Systems Architects Cl. A [a]	140,100	3,170,463
Verity [a]	95,000	1,585,550
		13,180,578

Royce Micro-Cap Trust, Inc.

Schedule of Investments — December 31, 2003

	SHARES	VALUE
Technology (continued)		
Telecommunication - 2.7%		
Anaren [a]	95,500	$ 1,348,460
Brooktrout [a]	28,400	357,272
C-COR.net [a]	5,000	55,650
Captaris [a]	50,000	281,000
Centillium Communications [a,c]	55,000	309,650

	PRINCIPAL AMOUNT	VALUE
U.S. TREASURY OBLIGATIONS – 2.0%		
U.S. Treasury Notes 1.875%, due 9/30/04	$5,000,000	$ 5,028,320
TOTAL U.S. TREASURY OBLIGATIONS (Cost $5,006,482)		5,028,320

Computer Network Technology [a,c]	20,000	190,800
Giga-tronics [a]	3,200	6,400
ITXC Corporation [a,c]	36,000	155,520
Interland [a]	2,500	16,325
MetaSolv [a,c]	44,100	107,163
Optical Communication Products Cl. A [a]	45,000	166,500
PC-Tel [a]	31,100	329,971
Radyne ComStream [a]	21,400	178,069
SpectraLink Corporation	57,000	1,092,690
Tollgrade Communications [a,c]	20,000	350,600
ViaSat [a]	98,200	1,879,548
		6,825,618
Total (Cost $39,558,379)		67,753,352
Miscellaneous — 5.0%		
Total (Cost $11,773,456)		12,553,169
TOTAL COMMON STOCKS		
(Cost $165,020,025)		259,556,120
PREFERRED STOCKS — 0.5%		
Angelo and Maxie’s 10.00% Conv.	6,991	17,827
Seneca Foods Conv. [a]	75,409	1,379,985
TOTAL PREFERRED STOCKS		
(Cost $957,998)		1,397,812

REPURCHASE AGREEMENT — 23.9%	
State Street Bank & Trust Company, 0.30% dated 12/31/03, due 1/2/04, maturity value $60,601,010 (collateralized by U.S. Treasury Notes, 1.625%-2.125% due 8/31/04-3/31/05, valued at $61,823,172) (Cost $60,600,000)	60,600,000
COLLATERAL RECEIVED FOR SECURITIES LOANED — 8.4%	
U.S. Treasury Bonds 5.50%-14.00% due 11/15/09-8/15/28	82,914
U.S. Treasury Notes 3.00%-6.625% due 2/29/04-7/15/12	110,738
U.S. Treasury Strip-Principal 9.125% due 5/15/18	22,810
Money Market Funds	
State Street Navigator Securities Lending Prime Portfolio	20,960,303
Total (Cost $21,176,765)	21,176,765
TOTAL INVESTMENTS — 137.2% (Cost $252,761,270)	347,759,017
LIABILITIES LESS CASH AND OTHER ASSETS — (13.5)%	(34,333,965)
PREFERRED STOCK — (23.7)%	(60,000,000)
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS — 100.0%	**$253,425,052**

[a] Non-income producing.
[b] American Depository Receipt.
[c] A portion of these securities were on loan at December 31, 2003. Total market value of loaned securities at December 31, 2003 was $20,392,479.
[d] Securities for which market quotations are no longer readily available represent 0.99% of net assets. These securities have been valued at their fair value under procedures established by the Fund's Board of Directors.
 New additions in 2003.
Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2003 market value.

INCOME TAX INFORMATION: The cost of total investments for Federal income tax purposes was $253,607,180. At December 31, 2003, net unrealized appreciation for all securities was $94,151,837, consisting of aggregate gross unrealized appreciation of $99,902,417 and aggregate gross unrealized depreciation of $5,750,580. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and amortization of discount for book and tax purposes.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Royce Micro-Cap Trust, Inc.

Statement of Assets and Liabilities — December 31, 2003

ASSETS:	
Investments at value (cost $192,161,270) - including $21,176,765 of collateral on loaned securities	$ 287,159,017
Repurchase agreement (at cost and value)	60,600,000
Cash	2,738,816
Receivable for investments sold	217,109
Receivable for dividends and interest	137,093
Prepaid expenses	5,793
Total Assets	350,857,828
LIABILITIES:	
Payable for collateral on loaned securities	21,176,765
Payable for investments purchased	15,789,784
Payable for investment advisory fee	293,489
Preferred dividends accrued but not yet declared	80,000
Accrued expenses	92,738
Total Liabilities	37,432,776
PREFERRED STOCK:	
6.00% Cumulative Preferred Stock - $0.001 par value, $25 liquidation value per share; 2,400,000 shares outstanding	60,000,000
Total Preferred Stock	60,000,000
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 253,425,052

ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:	
Common Stock paid-in capital - $0.001 par value per share; 19,015,340 shares outstanding (150,000,000 shares authorized)	$145,700,538
Accumulated net investment income	3,449,948
Accumulated net realized gain on investments	9,356,819
Net unrealized appreciation on investments	94,997,747
Preferred dividends accrued but not yet declared	(80,000)
Net Assets applicable to Common Stockholders (net asset value per share - $13.33)	$253,425,052

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

ROYCE MICRO-CAP TRUST, INC.

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2003
INVESTMENT INCOME:	
Income:	
Dividends	$ 1,802,298
Interest	151,415
Securities lending	40,100
Total income	1,993,813
Expenses:	
Investment advisory fees	3,371,509
Custody and transfer agent fees	131,792
Stockholder reports	99,634
Professional fees	78,392
Directors fees	50,179
Administrative and office facilities expenses	32,106
Other expenses	73,364
Total expenses	3,836,976
Fees waived by investment advisor	(200,000)
Net expenses	3,636,976
Net investment loss	(1,643,163)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Net realized gain on investments	30,865,842
Net change in unrealized appreciation on investments	67,143,086

Net realized and unrealized gain on investments	98,008,928
NET INCREASE IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS	96,365,765
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS	(3,247,215)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS	$ 93,118,550

Statements of Changes in Net Assets

	Year ended December 31, 2003	Year ended December 31, 2002
INVESTMENT OPERATIONS:		
Net investment loss	$ (1,643,163)	$ (2,363,582)
Net realized gain on investments	30,865,842	16,747,557
Net change in unrealized appreciation on investments	67,143,086	(38,936,315)
Net increase (decrease) in net assets resulting from investment operations	96,365,765	(24,552,340)
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:		
Net realized gain on investments	(3,236,104)	(3,100,000)
Quarterly distributions accrued but not yet declared	(11,111)	—
Total distributions to Preferred Stockholders	(3,247,215)	(3,100,000)
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS	93,118,550	(27,652,340)
DISTRIBUTIONS TO COMMON STOCKHOLDERS:		
Net realized gain on investments	(16,874,985)	(13,769,198)
Total distributions to Common Stockholders	(16,874,985)	(13,769,198)
CAPITAL STOCK TRANSACTIONS:		
Offering costs from issuance of Preferred Stock	(2,097,350)	—
Reinvestment of distributions to Common Stockholders	11,707,658	8,549,592
Total capital stock transactions	9,610,308	8,549,592
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	85,853,873	(32,871,946)
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:		
Beginning of year	167,571,179	200,443,125
End of year (including net investment income of $3,449,948 in 2003)	$253,425,052	$167,571,179

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Royce Micro-Cap Trust, Inc.

Financial Highlights

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

	Years ended December 31,				
	2003	2002	2001	2000	1999
NET ASSET VALUE, BEGINNING OF PERIOD	$9.39	$11.83	$10.14	$11.00	$10.06
INVESTMENT OPERATIONS:					
Net investment income (loss)	(0.09)	(0.13)	(0.05)	0.09	0.12
Net realized and unrealized gain (loss) on investments	5.28	(1.29)	2.57	1.23	1.35
Total investment operations	5.19	(1.42)	2.52	1.32	1.47
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:					
Net investment income				(0.01)	(0.05)
Net realized gain on investments	(0.18)	(0.18)	(0.19)	(0.22)	(0.18)
Total distributions to Preferred Stockholders	(0.18)	(0.18)	(0.19)	(0.23)	(0.23)
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS	5.01	(1.60)	2.33	1.09	1.24
DISTRIBUTIONS TO COMMON STOCKHOLDERS:					
Net investment income				(0.09)	(0.06)
Net realized gain on investments	(0.92)	(0.80)	(0.57)	(1.63)	(0.21)
Total distributions to Common Stockholders	(0.92)	(0.80)	(0.57)	(1.72)	(0.27)
CAPITAL STOCK TRANSACTIONS:					
Effect of Preferred Stock Offering	(0.11)				
Effect of reinvestment of distributions by Common Stockholders	(0.04)	(0.04)	(0.07)	(0.23)	(0.03)
Total capital stock transactions	(0.15)	(0.04)	(0.07)	(0.23)	(0.03)
NET ASSET VALUE, END OF PERIOD	$13.33	$9.39	$11.83	$10.14	$11.00
MARKET VALUE, END OF PERIOD	$12.60	$8.44	$10.50	$8.625	$9.00

TOTAL RETURN (a):					
Market Value	63.6%	(12.7)%	28.8%	15.3%	4.5%
Net Asset Value	55.6%	(13.8)%	23.4%	10.9%	12.7%
RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:					
Total expenses (b,c)	1.82%	1.96%	1.78%	1.32%	1.27%
Management fee expense	1.59%	1.59%	1.57%	1.08%	0.91%
Other operating expenses	0.23%	0.37%	0.21%	0.24%	0.36%
Net investment income (loss)	(0.82)%	(1.23)%	(0.43)%	0.74%	1.20%
SUPPLEMENTAL DATA:					
Net Assets Applicable to Common Stockholders, End of Period (in thousands)	$253,425	$167,571	$200,443	$163,820	$151,269
Liquidation Value of Preferred Stock, End of Period (in thousands)	$60,000	$40,000	$40,000	$40,000	$40,000
Portfolio Turnover Rate	26%	39%	27%	49%	49%
PREFERRED STOCK:					
Total shares outstanding	2,400,000	1,600,000	1,600,000	1,600,000	1,600,000
Asset coverage per share	$130.59	$129.73	$150.28	$127.39	$119.54
Liquidation preference per share	$25.00	$25.00	$25.00	$25.00	$25.00
Average market value per share (d):					
6.00% Cumulative	$25.37				
7.75% Cumulative	$25.70	$25.91	$25.30	$23.08	$24.67

(a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.

(b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.49%, 1.62%, 1.46%, 1.06% and 0.98% for the periods ended December 31, 2003, 2002, 2001, 2000 and 1999, respectively.

(c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.92%, 2.04%, 1.81% and 1.44% for the periods ended December 31, 2003, 2002, 2001 and 1999, respectively.

(d) The average of month-end market values during the period that the preferred stock was outstanding.

ROYCE MICRO-CAP TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies:

Royce Micro-Cap Trust, Inc. ("the Fund") was incorporated under the laws of the State of Maryland on September 9, 1993 as a diversified closed-end investment company. The Fund commenced operations on December 14, 1993.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange or Nasdaq are valued at their last reported sales price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

Investment Transactions and Related Investment Income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date and any non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

Expenses:

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors' Fees otherwise payable. The deferred fees are invested in certain Royce Funds until distributed in accordance with the agreement.

Taxes:

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

Distributions:

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

Repurchase Agreements:

The Fund enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company (SSB&T), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

Securities Lending:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

Royce Micro-Cap Trust, Inc.

Notes to Financial Statements (continued)

Capital Stock:

The Fund issued 1,173,282 and 896,290 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2003 and 2002, respectively.

On October 20, 2003, the Fund redeemed all (1,600,000 shares) of its then outstanding 7.75% Cumulative Preferred Stock at the redemption price of $25.00 per share plus accumulated and unpaid dividends through the redemption date of $0.15069 per share. On October 16, 2003, the Fund received net proceeds of $58,110,000 (after underwriting discounts of $1,890,000 and before estimated offering expenses of $207,350) from the public offering of 2,400,000 shares of 6.00% Cumulative Preferred Stock. Commencing October 16, 2008 and thereafter, the Fund, at its option, may redeem the 6.00% Cumulative Preferred Stock, in whole or in part, at the redemption price.

At December 31, 2003, 2,400,000 shares of the 6.00% Cumulative Preferred Stock were outstanding. The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moodys, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of $25.00 per share plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Funds ability to pay dividends to

Common Stockholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Preferred Stock.

Under Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, preferred securities that are redeemable for cash or other assets are to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer. Subject to the guidance of the EITF, the Fund's Cumulative Preferred Stock has been reclassified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements.

Investment Advisory Agreement:

As compensation for its services under the Investment Advisory Agreement, Royce & Associates, LLC ("Royce") receives a fee comprised of a Basic Fee ("Basic Fee") and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the Russell 2000.

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common Stockholders plus the liquidation value of Preferred Stock for the rolling 36-month period ending with such month. The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the Russell 2000 for the performance period by more than two percentage points. The performance period for each such month is a rolling 36-month period ending with such month. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the Russell 2000 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the Russell 2000 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to an issue of the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the Preferred Stock's dividend rate.

For the year ended December 31, 2003 the Fund accrued and paid Royce advisory fees totaling $3,171,509, which is net of $200,000 voluntarily waived by Royce.

Royce Micro-Cap Trust, Inc.

Notes to Financial Statements (continued)

Distributions to Stockholders:

The tax character of distributions paid to stockholders during 2003 and 2002 was as follows:

Distributions paid from:	2003	2002
Ordinary income	$ 3,217,774	$
Long-term capital gain	16,893,315	16,869,198
	$ 20,111,089	$ 16,869,198

As of December 31, 2003, the tax basis components of distributable earnings included in stockholders equity were as follows:

Undistributed net investment income	$ 3,449,948
Undistributed long-term gain	10,202,729
Unrealized appreciation	94,151,837
Accrued preferred distributions	(80,000)
	$ 107,724,514

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book / tax differences. For the year ended December 31, 2003, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

Undistributed Net Investment Income	Accumulated Net Realized Gain (Loss)	Paid-in Capital
$ 5,093,111	$ (5,084,534)	$ (8,577)

Purchases and Sales of Investment Securities:
For the year ended December 31, 2003, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to $59,049,805 and $94,203,089, respectively.

Transactions in Shares of Affiliated Companies:
An Affiliated Company, as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the companys outstanding voting securities. The Fund effected the following transactions in shares of such companies during the year ended December 31, 2003:

Affiliated Company	Market Value 12/31/02	Purchases	Sales	Realized and Unrealized Gain (Loss)	Dividend Income	Market Value 12/31/03
Technical Communications	$ 34,812		$ 108,304	$ (49,170)		0

Report of Independent Auditors

To the Board of Directors and Stockholders of Royce Micro-Cap Trust, Inc.
We have audited the accompanying statement of assets and liabilities of Royce Micro-Cap Trust, Inc., including the schedule of investments, as of December 31, 2003, and the related statement of operations for the year ended, and the statement of changes in net assets for the two years in the period then ended and the financial highlights

for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2003, 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Micro-Cap Trust, Inc. at December 31, 2003, 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 the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Philadelphia, PA TAIT, WELLER & BAKER
January 24, 2004

Royce Focus Trust, Inc.

Schedule of Investments — December 31, 2003

COMMON STOCKS – 95.2%

	SHARES	VALUE
Consumer Products – 9.6%		
Sports and Recreation - 6.3%		
Callaway Golf	100,000	$ 1,685,000
Oakley	75,000	1,038,000
Winnebago Industries	40,000	2,750,000
		5,473,000
Other Consumer Products - 3.3%		
Matthews International Cl. A	42,500	1,257,575
Yankee Candle Company [a]	60,000	1,639,800
		2,897,375
Total (Cost $5,161,556)		8,370,375
Consumer Services – 6.3%		
Direct Marketing - 3.9%		
Nu Skin Enterprises Cl. A	200,000	

	SHARES	VALUE
Industrial Products – 10.6%		
Building Systems and Components - 4.1%		
Simpson Manufacturing [a]	70,000	$ 3,560,200
Construction Materials - 2.8%		
Florida Rock Industries	45,000	2,468,250
Machinery - 3.7%		
Lincoln Electric Holdings	75,000	1,855,500
Woodward Governor Company	24,400	1,386,652
		3,242,152
Total (Cost $3,876,158)		9,270,602
Industrial Services – 7.4%		
Commercial Services - 5.0%		
Carlisle Holdings [a,c]	350,000	2,152,500