

ROYCE VALUE TRUST INC  
Form N-CSR  
March 08, 2005

**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: 811-04875

Name of Registrant: Royce Value 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, 2004 □ December 31, 2004

**Item 1: Reports to Shareholders**

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**A N N U A L R E P**  
**O R T**  
**2004**

**Royce Value Trust**

**Royce Micro-Cap Trust**

**Royce Focus Trust**

**[www.roycefunds.com](http://www.roycefunds.com)**



# The Royce Fund

VALUE INVESTING IN SMALL COMPANIES FOR MORE THAN 30 YEARS

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## A FEW WORDS ON CLOSED-END FUNDS

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***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 primarily in a limited number of small-cap 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 that 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, in which 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 microcap 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 investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see page 46.

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## PERFORMANCE TABLE

NAV AVERAGE ANNUAL TOTAL RETURNS Through December 31, 2004				
	Royce Value Trust	Royce Micro-Cap Trust	Royce Focus Trust	Russell 2000
&#160; <b>Fourth Quarter 2004*</b>	13.18%	12.90%	12.65%	14.09%
&#160; <b>July-December 2004*</b>	10.81	9.53	16.83	10.83
&#160; <b>1-Year</b>	21.42	18.69	29.21	18.33
&#160; <b>3-Year</b>	12.99	16.75	20.39	11.48
&#160; <b>5-Year</b>	14.15	16.84	18.35	6.61
&#160; <b>10-Year</b>	14.84	15.67	n/a	11.54
&#160; <b>Since Inception</b>	12.85	14.61	14.22	
&#160; <b>Inception Date</b>	11/26/86	12/14/93	11/1/96**	

\* Not annualized.

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

Royce Value Trust's 15-year NAV average annual total return for the period ended 12/31/04 was 13.47%.

### IMPORTANT PERFORMANCE, RISK AND OTHER INFORMATION

All performance information in this Report reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Performance information does not reflect the deduction of taxes that a shareholder would pay on distributions or on the sale of Fund shares. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies, which 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 opinion of Royce at December 31, 2004, 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, 2004 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. The Funds invest primarily in securities of small and micro-cap companies that may involve considerably more risk than investments of larger-cap companies. All publicly released material information is always disclosed by the Funds on the website at [www.roycefunds.com](http://www.roycefunds.com).

The Russell 2000, Russell 2000 Value, Russell 2000 Growth, Nasdaq Composite, S&P 500 and S&P 600 are unmanaged indices of domestic common stocks. Returns for the market indices used in this report were based on information supplied to Royce by Frank Russell and Morningstar. Royce has not independently verified the above described information. The Royce Funds is a service mark of The Royce Funds.

## LETTER TO OUR STOCKHOLDERS

### Dear Stockholder,

We have redesigned and reformatted our Annual Report for 2004 to focus on the information required by SEC regulations. It now includes Managers' Discussions of Fund Performance and Financial Statements for all three of our closed-end mutual funds. We have also created a new publication, the *Annual Review*, which features more wide-ranging commentary on the stock market as

***For more than 30 years, we have used various value approaches to invest in smaller-cap securities. We focus***

a whole and the Funds' portfolios. We hope that you find the material in each book useful and informative.

2004 was generally a positive one for the stock market as a whole, with small-cap securities enjoying a performance advantage over their large-cap counterparts. The small-cap oriented Russell 2000 index rose 18.3% in 2004, compared to respective gains of 10.9% and 8.6% for the S&P 500 and the Nasdaq Composite. For the sixth consecutive year, the Russell 2000 index outperformed the S&P 500. This past year also marked the fourth out of the last five calendar years in which the Russell 2000 outpaced the Nasdaq Composite. Small-cap value stocks also enjoyed a strong year in 2004, which can be seen in the calendar-year performances of our Funds. In contrast to 2003, a year in which micro-cap and Technology companies reigned supreme, 2004 was in general kinder to the upper tier of small-cap, as well as to individual companies in diverse sectors such as Natural Resources, Finance and Industrial Products (to name just a few strong-performing areas). The trend toward larger, arguably higher-quality, small-cap stocks dominating performance within the asset class was established early in the year, an unsurprising development given the red-hot performance of many micro-cap and Tech stocks in 2003.

We believe that *The Royce Funds*' performances generally were strong on an absolute basis in 2004 as well as over market cycles and long-term periods. While we would love to beat each Fund's respective benchmark during any particular performance period, we want to be clear that it remains our goal to achieve strong absolute returns over full market cycle and other long-term performance periods.

We appreciate your continued support.

Sincerely,

Charles M. Royce  
President

January 31, 2005

***primarily on the quality of a company's balance sheet, its ability to generate free cash flow and other measures of profitability or sound financial condition. At times, we may also look at other factors, such as a company's unrecognized asset values, its future growth prospects or its turnaround potential following an earnings disappointment or other business difficulties. We then use these factors to assess the company's current worth, basing the assessment on either 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.***

## ROYCE VALUE TRUST

NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/04	
Fourth Quarter 2004*	13.18%
July-December 2004*	10.81
1-Year	21.42
3-Year	12.99
5-Year	14.15

### Manager's Discussion

Royce Value Trust's (RVT) broadly diversified portfolio of small- and micro-cap stocks reaped the benefits of a strong year for small-cap value stocks. **In 2004, the Fund was up 21.4% on a net asset value (NAV) basis and 29.6% on a market price basis. RVT's calendar-year NAV performance was ahead of the small-cap oriented Russell 2000, which gained 18.3%, but trailed the small-cap S&P 600 index, which was up 22.7% for the same period.** The Fund's strong absolute results were achieved in spite of slightly lagging one of its benchmarks on an NAV basis (+13.2%) in

10-Year	14.84
15-Year	13.47
Since Inception (11/26/86)	12.85

\*Not annualized.

#### CALENDAR YEAR NAV TOTAL RETURNS

Year	RVT	Year	RVT
2004	21.4%	1996	15.5%
2003	40.8	1995	21.1
2002	-15.6	1994	0.1
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

#### TOP 10 POSITIONS

% of Net Assets Applicable to Common Stockholders

Apollo Investment	1.2%
Ritchie Bros. Auctioneers	1.0
Arrow International	0.9
Lincoln Electric Holdings	0.9
Simpson Manufacturing	0.9
Sotheby's Holdings Cl. A	0.9
MacDermid	0.9
SEACOR Holdings	0.9
Gabelli Asset Management Cl. A	0.8
MPS Group	0.8

#### PORTFOLIO SECTOR BREAKDOWN

% of Net Assets Applicable to Common Stockholders

Technology	21.5%
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the robust fourth-quarter rally. For this period, the Fund was up 16.6% on a market price basis, while the Russell 2000 was up 14.1% and the S&P 600 gained 13.0%. RVT's NAV performances over market cycle and long-term periods were similarly strong on an absolute and a relative basis. The Fund was up 78.6% from the previous small-cap market peak on 3/9/00 through 12/31/04 versus respective gains of 14.5% and 53.2% for the Russell 2000 and S&P 600. RVT gained 103.4% from the small-cap market trough on 10/9/02 through 12/31/04 versus respective gains of 104.8% and 96.5% for the Russell 2000 and the S&P 600. On an NAV basis, RVT outpaced the S&P 600 for the five-, 10-, 15-year and since inception (11/26/86) periods ended 12/31/04, while the Fund was ahead of the Russell 2000 for each of these periods as well as for the one-year and three-year periods. On a market price basis, RVT outperformed both benchmarks for the one-, three-, five-, 10-, 15-year and since inception (11/26/86) periods ended 12/31/04. **The Fund's average annual NAV total return since inception was 12.9%.**

The Fund enjoyed net gains on a dollar basis in virtually all of its sectors, particularly in Industrial Products, Natural Resources and Industrial Services. Several industrial companies had slumping prices in 2003, which gave us the opportunity to build existing positions. Although these businesses did not post the same heady gains as energy and financial stocks in 2004, they generally enjoyed strong returns. After hitting lows in their business cycle around the spring of 2003, many industrial companies began to recover, benefitting from increases in capital spending, the ability to pass on higher costs that came from increased raw materials prices and a robust rise in international economic growth. This led to earnings acceleration and correspondingly higher stock prices beginning late in 2003 and in general lasting through 2004.

***All performance information in this Report reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Performance information does not***

Industrial Products	18.4
Industrial Services	14.4
Financial Intermediaries	10.0
Natural Resources	9.2
Consumer Products	9.1
Health	9.0
Financial Services	8.7
Consumer Services	6.2
Utilities	0.2
Miscellaneous	5.0
Bonds & Preferred Stock	0.2
Treasuries, Cash and Cash Equivalents	10.3

*reflect the deduction of taxes that a stockholder would pay on distributions or on the sale of shares. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com).*

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## ROYCE MICRO-CAP TRUST

### Managers Discussion

The performance of micro-cap stocks may have cooled down a bit in 2004 following their red-hot 2003, but that did little to dampen the performance of Royce Micro-Cap Trust (RMT). **For the calendar year, the Fund gained 18.7% on a net asset value (NAV) basis and an impressive 33.4% on a market value basis, both results ahead of its small-cap benchmark, the Russell 2000, which was up 18.3% for the same period.** The Fund accomplished this in spite

### NAV AVERAGE ANNUAL TOTAL RETURNS

Through 12/31/04

Fourth Quarter 2004*	12.90%
July-December 2004*	9.53
1-Year	18.69
3-Year	16.75
5-Year	16.84
10-Year	15.67
Since Inception (12/14/93)	14.61

\* Not annualized.



of underperforming the small-cap index on an NAV basis in the dynamic fourth-quarter rally (+12.9% versus +14.1%). Over market cycle and long-term performance periods, RMT also posted strong absolute and relative returns. On both an NAV and market price basis for the periods ended 12/31/04, RMT dramatically outperformed the Russell 2000 from both the previous small-cap market peak on 3/9/00 (+89.1% and +141.0% versus +14.5%) and the small-cap market trough on 10/9/02 (+118.9% and +156.2% versus +104.8%). The Fund also outperformed its benchmark for the three-, five-, 10-year and since inception (12/14/93) periods ended 12/31/04 on an NAV and market price basis. **RMT's average annual NAV total return since inception was 14.6%.**

Each of the Fund's 10 sectors posted net gains in 2004, with companies from several industries contributing to the year's terrific results. Losses came at the individual stock level, with specialty retailer The Wet Seal and IT consultant iGATE Corporation posting the largest losses on a dollar basis. Holdings in the Natural Resources sector led in terms of overall net dollar gains in the portfolio, which was consistent with the impressive performance of stocks in the energy industry within small-cap as a whole. A supply squeeze first drove commodity prices higher which in turn helped to boost stock prices. The energy services and oil and gas industry groups posted the largest net gains in the

CALENDAR YEAR NAV TOTAL RETURNS			
Year	RMT	Year	RMT
2004	18.7%	1998	-4.1%
2003	55.6	1997	27.1
2002	-13.8	1996	16.6
2001	23.4	1995	22.9
2000	10.9	1994	5.0
1999	12.7		
TOP 10 POSITIONS			
% of Net Assets Applicable to Common Stockholders			
Sapient Corporation			1.4%
Juno Lighting			1.3
Stein Mart			1.3
Delta Apparel			1.2
Convansys Corporation			1.2
HomeFed Corporation			1.2
Aceto			1.2
ASA Bermuda			1.1
Seneca Foods			1.1
PICO Holdings			1.0
PORTFOLIO SECTOR BREAKDOWN			
% of Net Assets Applicable to Common Stockholders			
Technology			26.5%
Industrial Products			15.0
Industrial Services			13.5
Health			11.9
Natural Resources			10.9
Financial Intermediaries			5.7
Consumer Products			5.4

sector, with the share prices of oil and gas exploration and production company Treador Resources, geophysical data services business Veritas DGC and energy-related construction and engineering firm Willbros Group all posting large net gains on a dollar basis. Holdings in the Industrial Products sector generally enjoyed strong returns in 2004. The prices of many industrial companies began to slowly recover in 2003, benefiting from increases in capital spending, the ability to pass on higher costs that came from increased raw materials prices and a robust rise in international economic growth. This led to earnings acceleration and correspondingly higher stock prices that in general lasted through 2004.

Consumer Services	5.2
Diversified Investment Companies	1.6
Financial Services	1.5
Miscellaneous	5.0
Preferred Stocks	0.5
Cash & Cash Equivalents	17.9

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*performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com).*

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## ROYCE FOCUS TRUST

### NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/04

### Manager's Discussion

The focus was on strong performance for several holdings in Royce Focus Trust's (FUND) limited portfolio of small-cap stocks in 2004, which helped to provide its strong return on both an absolute and relative basis. **For the calendar year, the Fund gained 29.2% on a net asset value (NAV) basis and 47.3% on a market price basis, both results well ahead of the 18.3% return of its small-cap benchmark, the Russell 2000, for the same period.** In the dynamic fourth-quarter rally, the Fund lagged its benchmark on an NAV basis (+12.7% versus +14.1%), while impressively outpacing the Russell 2000 on a market price basis (+27.5%). Although stock prices in general fell during 2004's second and third quarters, FUND posted positive returns in all four quarters of the calendar year on an NAV basis, which was critical both to its absolute return and its outperformance of the small-cap index. Over long-term and market cycle periods, FUND's results were equally impressive. For the periods ended 12/31/04, on both an NAV and market price basis, the Fund dramatically outgained the Russell 2000 from the previous small-cap market peak on 3/9/00 (+128.0% and +192.6% versus +14.5%) and the small-cap market trough on 10/9/02 (+139.7% and +172.8% versus +104.8%). FUND was also ahead of the small-cap index for the three-year, five-year and since inception of our management (11/01/96) periods ended 12/31/04. **The Fund's average annual NAV total return since inception was 14.2%.**

The Fund's two largest sectors at year end—Industrial Products and Natural Resources—also made the most significant contributions to performance on a dollar basis in 2004. This was mostly consistent with a vigorous small-cap market in which companies from the energy, finance and industrial areas led the way. Within Natural Resources, net dollar gains from the energy services group, including piping and oil drilling equipment maker Trican Well Service

and seismic acquisition imaging technology company Input/Output, were larger than those of seven of the Fund's nine equity sectors (all of which posted net gains). Improved business and consequent earnings acceleration proved a winning combination for many holdings in the Industrial Products sector, such as steel company IPSCO and construction aggregates company Florida Rock Industries. Portfolio losses were scattered across each sector, including life science medical products maker Bruker BioSciences, which we sold in October, and precious metals mining business Hecla Mining Company, a position we built as its share price declined.

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Fourth Quarter 2004*	12.65%
July-December 2004*	16.83
1-Year	29.21
3-Year	20.39
5-Year	18.35
Since Inception (11/1/96) <sup>□</sup>	14.22

\*Not annualized.

Royce & Associates assumed investment management

responsibility for the Fund on  
11/1/96.

<b>CALENDAR YEAR NAV TOTAL RETURNS</b>	
<b>Year</b>	<b>FUND</b>
2004	29.2%
2003	54.3
2002	-12.5
2001	10.0
2000	20.9
1999	8.7
1998	-6.8
1997	20.5

<b>TOP 10 POSITIONS</b> % of Net Assets Applicable to Common Stockholders	
New Zealand Government 6.5% Bond	6.8%
Canadian Government 3% Bond	4.8
Trican Well Service	4.2
Simpson Manufacturing	4.0
Nu Skin Enterprises Cl. A	3.8
IPSCO	3.6
eFunds Corporation	3.4
Alleghany Corporation	3.4
Florida Rock Industries	3.4
Schnitzer Steel Industries Cl. A	3.2

<b>PORTFOLIO SECTOR BREAKDOWN</b>	
% of Net Assets Applicable to Common Stockholders	
Industrial Products	23.1%
Natural Resources	21.9
Technology	9.8
Health	9.6
Financial Intermediaries	8.9
Industrial Services	8.4
Financial Services	6.4
Consumer Products	5.8
Consumer Services	5.4
Bonds	13.0
Treasuries, Cash and Cash Equivalents	11.3

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## 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**
<b>Royce Value Trust</b> 11/26/86 Initial Purchase	\$ 10,000	\$ 10.000	1,000	\$ 9,280	\$ 10,000

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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	106,216	107,339
2004	Annual distribution total \$1.55		17.604	568		
<b>12/31/04</b>			<b>\$ 21,922</b>	<b>6,805</b>	<b>\$ 128,955</b>	<b>\$ 139,094</b>

**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	33,125	31,311
2004	Annual distribution total \$1.33		13.350	257		
<b>12/31/04</b>			<b>\$ 8,900</b>	<b>2,742</b>	<b>\$ 39,320</b>	<b>\$ 41,788</b>

**Royce Focus Trust**

10/31/96	Initial Purchase	\$ 4,375	\$ 4.375	1,000	\$ 5,280	\$ 4,375
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12/31/96				5,520	4,594
12/5/97	Distribution \$0.53	5.250	101	6,650	5,574
12/31/98	Distribution			6,199	5,367
	\$0.145	4.750	34	6,742	5,356
12/6/99	Distribution \$0.34	5.563	69	8,151	6,848
12/6/00	Distribution \$0.14	6.010	28	8,969	8,193
12/6/01	Distribution \$0.09	5.640	19	7,844	6,956
12/6/02	Distribution \$0.62	8.250	94	12,105	11,406
12/8/03	Annual distribution				
2004	total \$1.74	9.325	259		

<b>12/31/04</b>	<b>\$ 4,375</b>	<b>1,604</b>	<b>\$ 15,639</b>	<b>\$ 16,794</b>
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\* Beginning with the 1997 (RVT), 2002 (RMT) and 2004 (FUND) distribution, the purchase price of distributions is a weighted average of the distribution reinvestment prices for the year.

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

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## ROYCE VALUE TRUST

### Schedule of Investments

	SHARES	VALUE		SHARES	VALUE
<b>COMMON STOCKS</b> □ <b>111.7%</b>			<b>Consumer Services</b> □ <b>6.2%</b>		
<b>Consumer Products</b> □ <b>9.1%</b>			Direct Marketing - 0.2%		
Apparel and Shoes - 3.1%			&#134;Sportsman s Guide (The)	107,000	\$ 2,407,500
Jones Apparel Group	81,500	\$ 2,980,455	Leisure and Entertainment -		
K-Swiss Cl. A	220,400	6,418,048	0.3%		
&#134;Steven Madden <u>a,d</u>	74,000	1,395,640	Carmike Cinemas	21,000	766,500
Oshkosh B Gosh Cl. A	104,300	2,232,020	&#134;Kids Entertainment <u>a,d</u>	21,000	441,420
Polo Ralph Lauren Cl. A	150,000	6,390,000	Gemstar-TV Guide		
Timberland Company Cl. A <u>a</u>	30,000	1,880,100	International <u>a,d</u>	201,100	1,190,512
Tommy Hilfiger <u>a</u>	156,000	1,759,680	Hasbro	50,000	969,000
Warnaco Group (The) <u>a</u>	42,000	907,200			3,367,432
Weyco Group	153,996	6,820,483	Restaurants and Lodgings -		
		30,783,626	0.9%		
Collectibles - 0.9%			Benihana Cl. A <u>a</u>	6,600	107,250
Action Performance Companies	195,000	2,143,050	CEC Entertainment <u>a,d</u>	45,000	1,798,650
			IHOP Corporation	145,100	6,078,239
			Jack in the Box <u>a</u>	2,000	73,740



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The Boyds Collection <sup>a,d</sup>	524,200	2,306,480	Ryan's Restaurant Group <sup>d</sup>	60,900	939,078
Enesco Group <sup>a</sup>	47,200	381,376			
Topps Company (The)	410,500	4,002,375			8,996,957
		<u>8,833,281</u>			
<b>Food/Beverage/Tobacco - 0.3%</b>			<b>Retail Stores - 3.3%</b>		
Hain Celestial Group <sup>a,d</sup>	37,800	781,326	AnnTaylor Stores <sup>a</sup>	22,500	484,425
Hershey Creamery Company	709	1,701,600	BJ's Wholesale Club <sup>b</sup>	32,000	932,160
Lancaster Colony	16,900	724,503	Big Lots <sup>a</sup>	255,300	3,096,789
		<u>3,207,429</u>	&#134;Cabela's Cl. A <sup>d</sup>	10,000	227,400
			&#134;CarMax <sup>a,d</sup>	111,000	3,446,550
<b>Home Furnishing and Appliances - 0.5%</b>			Charming Shoppes <sup>a</sup>	484,400	4,538,828
Ethan Allen Interiors	15,000	600,300	Claire's Stores	167,200	3,553,000
Falcon Products <sup>a,c</sup>	941,600	197,736	Dress Barn (The) <sup>a,d</sup>	100,000	1,760,000
La-Z-Boy	128,200	1,970,434	GameStop Corporation Cl. A <sup>a,d</sup>	38,000	849,680
		<u>5,082,399</u>	&#134;Krispy Kreme Doughnuts <sup>a,d</sup>	17,000	214,200
			Linens n Things <sup>g</sup>	40,000	992,000
Natuzzi ADR <sup>b</sup>	213,100	2,312,135	Movie Gallery	35,000	667,450
&#134;Select Comfort <sup>a,d</sup>	100	1,794	&#134;Neiman Marcus Group (The) Cl. A	30,800	2,203,432
		<u>5,082,399</u>	Payless ShoeSource <sup>a,d</sup>	209,600	2,578,080
			Stein Mart <sup>a</sup>	172,800	2,947,968
<b>Publishing - 0.7%</b>			Urban Outfitters <sup>a,d</sup>	65,200	2,894,880
&#134;Journal Communications Cl. A	100,200	1,810,614	Wet Seal (The) Cl. A <sup>a,d</sup>	202,000	458,540
Scholastic Corporation <sup>a,d</sup>	130,000	4,804,800	&#134;Wild Oats Markets <sup>a,d</sup>	81,000	713,610
		<u>6,615,414</u>			
			<b>Other Consumer Services - 1.5%</b>		
<b>Sports and Recreation - 1.4%</b>			&#134;Coinstar <sup>a,d</sup>	17,000	456,110
Callaway Golf Company	275,800	3,723,300	&#134;Corinthian Colleges <sup>a,d</sup>	39,500	744,377
Coachmen Industries	47,700	828,072	&#134;MoneyGram International	217,100	4,589,494
Monaco Coach	161,050	3,312,798	<b>Sotheby's Holdings Cl. A <sup>a,d</sup></b>	485,200	8,811,232
Oakley	325,000	4,143,750			14,601,213
Sturm, Ruger & Company	30,000	270,900			
Thor Industries	43,100	1,596,855	<b>Total</b> (Cost \$44,964,636)		61,932,094
		<u>13,875,675</u>			
			<b>Financial Intermediaries <sup>□</sup> 10.0%</b>		
<b>Other Consumer Products - 2.2%</b>			<b>Banking - 3.0%</b>		
Blyth	14,700	434,532	BOK Financial <sup>a</sup>	129,327	6,305,985
Burnham Corporation Cl. B <sup>a</sup>	36,000	936,000	<b>Farmers &amp; Merchants Bank of Long Beach</b>	1,266	7,190,880
&#134;Dorel Industries Cl. B <sup>a</sup>	34,500	1,178,865	First National Bank Alaska	2,130	5,016,150
Fossil <sup>a,d</sup>	117,800	3,020,392	Mechanics Bank <sup>a</sup>	200	3,910,000
			Mercantile Bankshares	20,000	1,044,000

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Lazare Kaplan International <u>a</u>	103,600	985,236	NetBank	70,000	728,700
&#134;Leapfrog Enterprises <u>a,d</u>	234,700	3,191,920	&#134;Ocwen Financial <u>a,d</u>	47,000	449,320
Matthews International Cl. A	166,000	6,108,800	Oriental Financial Group	54,147	1,532,916
&#134;RC2 Corporation <u>a</u>	190,400	6,207,040	&#134;Partners Trust Financial Group	130,000	1,514,500
		<u>22,062,785</u>			
<b>Total</b> (Cost \$65,762,887)		<u>90,460,609</u>			

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

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DECEMBER 31, 2004

	SHARES	VALUE		SHARES	VALUE
<b>Financial Intermediaries (continued)</b>					
Banking (continued)			BKF Capital Group	7,500	\$ 284,250
Whitney Holding	27,000	\$ 1,214,730	Eaton Vance	70,200	3,660,930
Wilmington Trust	31,000	1,120,650	Federated Investors Cl. B	101,900	3,097,760
		<u>30,027,831</u>	<b>Gabelli Asset Management</b>		
			Cl. A	168,600	8,180,472
			MVC Capital	174,800	1,587,184
			Nuveen Investments Cl. A	138,600	5,470,542
					<u>41,541,030</u>
Insurance - 6.0%					
Alleghany Corporation <u>a</u>	7,700	2,196,425			
Argonaut Group <u>a</u>	187,000	3,951,310	Other Financial Services - 0.4%		
Aspen Insurance Holdings	58,000	1,422,160	CharterMac	59,600	1,456,624
Baldwin & Lyons Cl. B	22,200	594,738	PRG-Schultz International <u>a,d</u>	467,000	2,349,010
Commerce Group	49,500	3,021,480	Van der Moolen Holding ADR		
<b>Erie Indemnity Company Cl. A</b>	139,900	7,354,543	<u>a,b</u>	21,000	159,390
HCC Insurance Holdings	24,000	794,880	World Acceptance <u>a,d</u>	21,700	596,967
Leucadia National	51,500	3,578,220			<u>4,561,991</u>
Markel Corporation <u>a,d</u>	4,200	1,528,800			
Montpelier Re Holdings	77,000	2,960,650	<b>Total</b> (Cost \$61,909,042)		<u>86,744,731</u>
NYMAGIC	85,200	2,155,560			

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Navigators Group <sup>a</sup>	83,200	2,505,152	<b>Health</b> <sup>a</sup> <b>9.0%</b>		
Ohio Casualty <sup>a,d</sup>	187,000	4,340,270	Commercial Services - 1.9%		
PXRE Group	166,551	4,198,751	Covance <sup>a,d</sup>	52,700	2,042,125
Philadelphia Consolidated Holding <sup>a</sup>	35,000	2,314,900	First Consulting Group <sup>a</sup>	520,900	3,182,699
Phoenix Companies (The) <sup>d</sup>	81,900	1,023,750	IDEXX Laboratories <sup>a</sup>	94,300	5,147,837
ProAssurance Corporation <sup>a,d</sup>	76,070	2,975,098	PAREXEL International <sup>a</sup>	277,700	5,637,310
			Pharmaceutical Product Development <sup>a</sup>	12,000	495,480
RLI	99,724	4,145,527	TriZetto Group (The) <sup>a</sup>	215,200	2,044,400
Reinsurance Group of America	30,000	1,453,500			
21st Century Insurance Group	62,000	843,200			
USI Holdings <sup>a,d</sup>	20,000	231,400			18,549,851
Wesco Financial	7,750	3,045,750			
Zenith National Insurance	64,300	3,204,712	<b>Drugs and Biotech - 3.1%</b>		
		<hr/>	Abgenix <sup>a,d</sup>	38,000	392,920
		59,840,776	Affymetrix <sup>a,d</sup>	90,800	3,318,740
		<hr/>	Antigenics <sup>a,d</sup>	99,300	1,004,916
<b>Real Estate Investment Trusts - 0.1%</b>			Applera Corporation-		
Sun Communities	20,400	821,100	Celera Genomics Group <sup>a</sup>	139,200	1,914,000
		<hr/>	Cephalon <sup>a,d</sup>	4,900	249,312
<b>Securities Brokers - 0.9%</b>			Cerus Corporation <sup>a,d</sup>	21,700	64,232
<b>E*TRADE Financial</b> <sup>a</sup>	498,700	7,455,565	Chiron Corporation <sup>a,d</sup>	21,800	726,594
Knight Trading Group <sup>a</sup>	129,700	1,420,215	DUSA Pharmaceuticals <sup>a,d</sup>	79,700	1,139,710
		<hr/>	Endo Pharmaceuticals Holdings <sup>a</sup>	318,200	6,688,564
		8,875,780	Eon Labs <sup>a,d</sup>	31,000	837,000
		<hr/>	Gene Logic <sup>a,d</sup>	365,000	1,343,200
<b>Total</b> (Cost \$55,454,445)		99,565,487	Hi-Tech Pharmacal <sup>a,d</sup>	79,000	1,456,760
		<hr/>	Human Genome Sciences <sup>a,d</sup>	90,000	1,081,800
<b>Financial Services</b> <sup>a</sup> <b>8.7%</b>			Lexicon Genetics <sup>a</sup>	463,300	3,592,892
Information and Processing - 2.9%			Millennium Pharmaceuticals <sup>a</sup>	50,000	606,000
Advent Software <sup>a,d</sup>	151,100	3,094,528	Par Pharmaceutical Companies <sup>a,d</sup>	33,000	1,365,540
eFunds Corporation <sup>a</sup>	204,275	4,904,643	Perrigo Company	171,750	2,966,122
FactSet Research Systems	78,500	4,587,540	Priority Healthcare Cl. B <sup>a,d</sup>	47,500	1,034,075
			Shire Pharmaceuticals Group ADR <sup>b</sup>	20,853	666,253
Fair Isaac	67,300	2,468,564			
Global Payments	68,500	4,009,990			
Interactive Data <sup>a</sup>	134,300	2,919,682			30,448,630
SEI Investments	165,700	6,947,801			
		<hr/>	<b>Health Services - 0.7%</b>		
		28,932,748	Accredo Health <sup>a</sup>	8,705	241,303
		<hr/>	Albany Molecular Research <sup>a,d</sup>	85,000	946,900
<b>Insurance Brokers - 1.2%</b>			Eclipsys Corporation <sup>a,d</sup>	20,000	408,600
Crawford & Company Cl. A	289,100	2,023,700	Gentiva Health Services <sup>a</sup>	30,150	504,108
			Health Management Associates Cl. A	27,400	622,528
Crawford & Company Cl. B	60,300	452,250	Lincare Holdings <sup>a</sup>	34,600	1,475,690
Gallagher (Arthur J.) & Company	111,200	3,614,000			

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Hilb Rogal & Hobbs Company	155,050	5,619,012	MedQuist <sup>a</sup>	73,893	1,093,616
			On Assignment <sup>a</sup>	425,200	2,206,788
		<u>11,708,962</u>	Quovadx <sup>a</sup>	3,000	7,170
Investment Management - 4.2%					<u>7,506,703</u>
<b>Alliance Capital Management Holding L.P.</b>	180,200	7,568,400			
<b>_Apollo Investment</b>	774,271	11,691,492			

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

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## ROYCE VALUE TRUST

### Schedule of Investments

	SHARES	VALUE		SHARES	VALUE
<b>Health (continued)</b>			<b>Machinery - 4.9%</b>		
Medical Products and Devices - 3.1%			Coherent <sup>a</sup>	228,500	\$ 6,955,540
Allied Healthcare Products <sup>a</sup>	62,000	\$ 406,100	Federal Signal	58,600	1,034,876
<b>Arrow International</b>	297,602	9,222,686	GSI Lumonics <sup>a,d</sup>	69,500	797,860
ArthroCare Corporation <sup>a,d</sup>	10,000	320,600	Global Power Equipment Group <sup>a,d</sup>	45,000	442,800
Bruker BioSciences <sup>a</sup>	390,200	1,572,506	Graco	96,825	3,616,414
CONMED Corporation <sup>a</sup>	81,500	2,316,230	IDEX Corporation	36,000	1,458,000
Datascope	12,000	476,280	<b>Lincoln Electric Holdings</b>	265,880	9,183,495
Diagnostic Products	25,000	1,376,250	National Instruments	71,400	1,945,650
Invacare Corporation	88,000	4,070,880	Nordson Corporation	172,200	6,900,054
Novoste Corporation <sup>a</sup>	66,500	113,715	PAXAR Corporation <sup>a</sup>	253,100	5,611,227
Orthofix International <sup>a,d</sup>	20,000	789,580	Pason Systems	79,000	2,429,557
STERIS Corporation <sup>a,d</sup>	173,100	4,105,932	T-3 Energy Services <sup>a,d</sup>	346,710	2,472,042
Sybron Dental Specialties <sup>a,d</sup>	19,000	672,220	UNOVA <sup>a,d</sup>	41,000	1,036,890
Thoratec Corporation <sup>a,d</sup>	2,000	20,840	Woodward Governor Company	73,600	5,270,496
Varian Medical Systems <sup>a</sup>	61,600	2,663,584			
Young Innovations	62,550	2,109,812			<u>49,154,901</u>
Zoll Medical <sup>a</sup>	20,200	694,880			
		<u>30,932,095</u>	<b>Metal Fabrication and Distribution - 2.5%</b>		
			CompX International Cl. A	302,300	4,997,019

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			Kaydon Corporation	208,700	6,891,274
			Metal Management	65,100	1,749,237
Personal Care - 0.2%			NN	127,100	1,678,991
Regis	37,200	1,716,780	Oregon Steel Mills <sup>a,d</sup>	177,900	3,609,591
			Penn Engineering & Manufacturing	251,600	4,553,960
<b>Total</b> (Cost \$65,402,809)		89,154,059	Penn Engineering & Manufacturing		
			Cl. A	77,600	1,164,000
<b>Industrial Products</b> $\square$ <b>18.4%</b>					
Automotive - 1.0%					
Adesa	126,900	2,692,818			24,644,072
CLARCOR	22,000	1,204,940			
Gentex Corporation	60,300	2,232,306	Paper and Packaging - 0.2%		
IMPCO Technologies <sup>a,d</sup>	15,500	117,025	Peak International <sup>a</sup>	408,400	1,671,990
LKQ Corporation <sup>a,d</sup>	188,000	3,773,160			
Quantam Fuel Systems Technologies			Pumps, Valves and Bearings - 0.5%		
Worldwide <sup>a,d</sup>	15,500	93,310	Baldor Electric	62,900	1,731,637
			Conbraco Industries	7,630	1,274,210
		10,113,559	Franklin Electric	47,200	1,994,672
Building Systems and Components - 1.2%					5,000,519
Decker Manufacturing	6,022	210,770			
Preformed Line Products Company	91,600	2,654,568	Specialty Chemicals and Materials - 2.0%		
<b>Simpson Manufacturing</b>	260,800	9,101,920	Aceto	41,100	782,544
			Albemarle Corporation	34,000	1,316,140
		11,967,258	Balchem Corporation	31,200	1,082,328
			CFC International <sup>a</sup>	123,500	1,936,480
Construction Materials - 2.1%			Cabot Corporation	56,500	2,185,420
<b>Ash Grove Cement Company</b>					
<b>Cl. B</b> <sup>a</sup>	50,518	7,224,074	Hawkins	206,878	2,449,436
ElkCorp	43,000	1,471,460	Lydall <sup>a,d</sup>	50,000	593,000
<b>Florida Rock Industries</b>	123,000	7,322,190	<b>MacDermid</b>	236,631	8,542,379
Heywood Williams Group <sup>a</sup>	838,837	1,518,695	Material Sciences <sup>a</sup>	29,000	521,710
Synalloy Corporation <sup>a,c</sup>	345,000	3,415,500			
					19,409,437
		20,951,919			
Industrial Components - 1.3%			Textiles - 0.2%		
AMETEK	86,000	3,067,620	Tag-It Pacific <sup>a,d</sup>	118,500	533,250
Bel Fuse Cl. A	26,200	767,660	Unifi <sup>a</sup>	315,100	1,206,833
C & D Technologies	50,000	852,000			1,740,083
Donaldson Company	52,000	1,694,160			
Intermagetics General <sup>a,d</sup>	26,450	672,094	Other Industrial Products - 2.5%		
PerkinElmer	135,000	3,036,150	Albany International Cl. A	45,500	1,599,780
Planar Systems <sup>a,d</sup>	46,900	526,687	<b>Brady Corporation Cl. A</b>	114,400	7,158,008
Powell Industries <sup>a</sup>	92,400	1,708,476	Diebold	85,000	4,737,050
Woodhead Industries	45,400	727,762	Imagistics International <sup>a</sup>	19,000	639,540

13,052,609	Kimball International Cl. B	428,380	6,344,308
	Maxwell Technologies <sup>a</sup>	21,500	218,010
	Myers Industries	30,499	390,387

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

**DECEMBER 31, 2004**

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Products (continued)</b>			McDermott International <sup>a</sup>	71,000	\$ 1,303,560
Other Industrial Products (continued)			Washington Group International <sup>a,d</sup>	140,000	5,775,000
Peerless Manufacturing <sup>a,c</sup>	158,600	\$ 2,299,700			
Quixote Corporation	12,000	243,960			20,825,484
Steelcase Cl. A	50,000	692,000			
Trinity Industries	8,000	272,640	<b>Food and Tobacco Processors - 0.6%</b>		
		24,595,383	Farmer Bros.	150,000	3,636,000
			MGP Ingredients	216,400	1,869,696
			Seneca Foods Cl. B <sup>a</sup>	6,500	118,631
<b>Total (Cost \$103,656,776)</b>		182,301,730	Sunopta <sup>a,d</sup>	41,000	294,380
					5,918,707
<b>Industrial Services - 14.4%</b>					
Advertising and Publishing - 0.3%			<b>Industrial Distribution - 1.4%</b>		
Interpublic Group of Companies <sup>a,d</sup>	230,000	3,082,000	Central Steel & Wire	3,799	1,994,475
ValueClick <sup>a,d</sup>	20,000	266,600	<b>Ritchie Bros. Auctioneers</b>	310,400	10,261,824
		3,348,600	Strategic Distribution <sup>a</sup>	115,000	1,535,250
					13,791,549
<b>Commercial Services - 5.7%</b>					
ABM Industries	134,800	2,658,256	<b>Printing - 0.2%</b>		
Aaron Rents	4,500	112,500	Bowne & Co.	68,100	1,107,306
Administaff <sup>a</sup>	60,200	759,122	Ennis	62,700	1,206,975
Allied Waste Industries <sup>a,d</sup>	188,800	1,752,064			2,314,281
Brink's Company (The)	107,278	4,239,627			
Carlisle Holdings	194,900	1,411,076			

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Central Parking	83,800	1,269,570		
Collectors Universe <u>a,d</u>	15,500	316,045	Transportation and Logistics - 3.6%	
Convergys Corporation <u>a</u>	121,000	1,813,790	AirNet Systems <u>a,d</u>	219,000 764,310
Copart <u>a,d</u>	138,100	3,634,792	Alexander & Baldwin	60,000 2,545,200
Digital Theater Systems <u>a,d</u>	18,600	374,418	Atlas Air Worldwide Holdings <u>a,e</u>	60,500 1,424,775
Harsco Corporation	12,000	668,880	C. H. Robinson Worldwide	40,000 2,220,800
Hewitt Associates Cl. A <u>a,d</u>	59,000	1,888,590	Continental Airlines Cl. B <u>a,d</u>	100,000 1,354,000
Hudson Highland Group <u>a,d</u>	30,549	879,811	EGL <u>a,d</u>	153,125 4,576,906
Iron Mountain <u>a</u>	191,175	5,828,926	<b>Forward Air <u>a,d</u></b>	156,500 6,995,550
Kelly Services Cl. A	25,000	754,500	Frozen Food Express Industries <u>a</u>	286,635 3,697,591
Learning Tree International <u>a</u>	53,400	715,560	Hub Group Cl. A <u>a</u>	77,000 4,020,940
<b>MPS Group <u>a</u></b>	643,500	7,889,310	Landstar System <u>a</u>	5,600 412,384
Manpower	65,800	3,178,140	Patriot Transportation Holding <u>a</u>	101,300 4,557,386
Monster Worldwide <u>a,d</u>	79,000	2,657,560	Swift Transportation Company <u>a,d</u>	31,000 665,880
New Horizons Worldwide <u>a</u>	96,600	541,926	UTI Worldwide	35,000 2,380,700
Pemstar <u>a,d</u>	381,900	691,239		
RemedyTemp Cl. A <u>a</u>	77,500	794,375		35,616,422
Renaissance Learning	15,000	278,400		
Reynolds & Reynolds Company Cl. A	27,000	715,770	Other Industrial Services - 0.5%	
Rollins	87,000	2,289,840	Landauer	117,900 5,388,030
Spherion Corporation <u>a,d</u>	3,000	25,200		
TRC Companies <u>a</u>	42,000	714,000	<b>Total (Cost \$87,827,562)</b>	<b>143,216,859</b>
Viad Corporation	87,550	2,494,299		
Watson Wyatt & Company Holdings	81,000	2,182,950	<b>Natural Resources <math>\square</math> 9.2%</b>	
West Corporation <u>a</u>	75,000	2,483,250	Energy Services - 4.2%	
		<hr/>	Atwood Oceanics <u>a</u>	19,700 1,026,370
		56,013,786	<b>Carbo Ceramics</b>	105,600 7,286,400
			Core Laboratories <u>a</u>	10,000 233,500
<b>Engineering and Construction - 2.1%</b>			ENSCO International	6,443 204,501
Champion Enterprises <u>a,d</u>	120,000	1,418,400	Global Industries <u>a,d</u>	119,500 990,655
EMCOR Group <u>a</u>	51,900	2,344,842	Hanover Compressor Company <u>a,d</u>	160,000 2,260,800
Fleetwood Enterprises <u>a,d</u>	234,300	3,153,678	Helmerich & Payne	197,400 6,719,496
Insituform Technologies Cl. A <u>a</u>	202,200	4,583,874	Input/Output <u>a,d</u>	669,100 5,914,844
Jacobs Engineering Group <u>a</u>	47,000	2,246,130	Key Energy Services <u>a,d</u>	10,000 118,000
			Precision Drilling <u>a</u>	29,500 1,852,600
			TETRA Technologies <u>a</u>	42,750 1,209,825
			Tidewater	55,600 1,979,916
			Universal Compression Holdings <u>a</u>	115,000 4,014,650
			Veritas DGC <u>a</u>	38,700 867,267
			Willbros Group <u>a,d</u>	289,600 6,675,280



41,354,104

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

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## ROYCE VALUE TRUST

### Schedule of Investments

	SHARES	VALUE		SHARES	VALUE
<b>Natural Resources</b>					
<b>(continued)</b>					
<b>Oil and Gas - 2.7%</b>					
Chesapeake Energy	60,000	\$ 990,000	KEMET Corporation <sup>a,d</sup>	173,000	\$ 1,548,350
Cimarex Energy <sup>a</sup>	127,041	4,814,854	Kronos <sup>a</sup>	38,775	1,982,566
Delta Petroleum <sup>a,d</sup>	39,000	611,520	Mercury Computer Systems <sup>a,d</sup>	22,000	652,960
EOG Resources	5,000	356,800	Methode Electronics	50,000	642,500
Holly Corporation	10,000	278,700	Metrologic Instruments <sup>a,d</sup>	15,000	318,750
Houston Exploration Company (The) <sup>a</sup>	50,000	2,815,500	Nam Tai Electronics	43,000	827,750
Penn Virginia	35,000	1,419,950	Newport Corporation <sup>a,d</sup>	152,900	2,155,890
Pioneer Drilling Company <sup>a,d</sup>	128,800	1,299,592	Perceptron <sup>a</sup>	397,400	2,901,020
Plains Exploration & Production Company <sup>a,d</sup>	76,500	1,989,000	Plexus Corporation <sup>a</sup>	398,700	5,187,087
Remington Oil & Gas <sup>a,d</sup>	78,500	2,139,125	Radiant Systems <sup>a</sup>	32,500	211,575
<b>SEACOR Holdings <sup>a</sup></b>	159,500	8,517,300	REMEC <sup>a,d</sup>	189,200	1,364,132
Toreador Resources <sup>a,d</sup>	90,300	2,003,757	SafeNet <sup>a,d</sup>	36,240	1,331,458
			SanDisk Corporation <sup>a,d</sup>	11,000	274,670
			Symbol Technologies	165,400	2,861,420
			TTM Technologies <sup>a</sup>	253,600	2,992,480
			Technitrol <sup>a</sup>	368,900	6,713,980
		27,236,098	Tektronix	77,480	2,340,671
			Vishay Intertechnology <sup>a</sup>	316,000	4,746,320
<b>Precious Metals and Mining - 1.2%</b>					
Bema Gold <sup>a,d</sup>	300,000	918,000	Zebra Technologies Cl. A <sup>a</sup>	76,525	4,306,827
Glamis Gold <sup>a</sup>	195,000	3,346,200			61,449,977
Hecla Mining Company <sup>a,d</sup>	648,000	3,777,840			
MK Resources Company <sup>a</sup>	431,700	884,985	<b>Distribution - 1.4%</b>		
Meridian Gold <sup>a,d</sup>	124,500	2,361,765	Agilysys	185,125	3,173,042
Metallica Resources <sup>a,d</sup>	50,000	62,000	Anixter International <sup>a</sup>	41,900	1,507,981
Miramar Mining <sup>a</sup>	245,000	281,750	Arrow Electronics <sup>a</sup>	145,700	3,540,510
Stillwater Mining Company <sup>a</sup>	10,780	121,383	Avnet <sup>a</sup>	52,355	954,955
			Benchmark Electronics <sup>a,d</sup>	13,000	443,300
		11,753,923	Tech Data <sup>a</sup>	101,500	4,608,100
<b>Real Estate - 0.6%</b>					
Alico <sup>a</sup>	27,000	1,580,040			14,227,888
<b>Internet Software and Services - 1.1%</b>					
CB Richard Ellis Group Cl. A <sup>a</sup>	95,000	3,187,250	CNET Networks <sup>a</sup>	155,400	1,745,142
Consolidated-Tomoka Land	13,564	583,252			



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Trammell Crow Company <sup>a</sup>	46,500	842,115	CryptoLogic	202,000	5,039,900
			CyberSource Corporation <sup>a</sup>	10,000	71,500
		6,192,657	DoubleClick <sup>a</sup>	181,700	1,413,626
			Lionbridge Technologies <sup>a,d</sup>	37,500	252,000
Other Natural Resources - 0.5%			Openwave Systems <sup>a,d</sup>	32,000	494,720
PICO Holdings <sup>a</sup>	218,200	4,532,014	RealNetworks <sup>a,d</sup>	85,400	565,348
			Satyam Computer Services ADR <sup>b</sup>	20,000	482,600
<b>Total</b> (Cost \$55,423,877)		91,068,796	Vastera <sup>a</sup>	140,000	368,200

**Technology** □ 21.5%

Aerospace and Defense - 0.7%

Allied Defense Group (The) <sup>a</sup>	67,600	1,504,100	IT Services - 4.8%		
Armor Holdings <sup>a</sup>	27,000	1,269,540	answerthink <sup>a</sup>	655,000	3,052,300
Astronics Corporation <sup>a</sup>	52,400	266,192	BearingPoint <sup>a</sup>	524,000	4,207,720
Ducommun <sup>a</sup>	117,200	2,443,620	Black Box	47,000	2,256,940
Herley Industries <sup>a</sup>	2,000	40,680	CACI International Cl. A <sup>a,d</sup>	10,000	681,300
Integral Systems	49,800	968,610	CGI Group Cl. A <sup>a,d</sup>	106,700	709,555
		6,492,742	CIBER <sup>a</sup>	10,000	96,400
			Computer Task Group <sup>a</sup>	101,100	566,160

Components and Systems - 6.2%

American Power Conversion	151,200	3,235,680	Covansys Corporation <sup>a</sup>	251,600	3,849,480
Analogic Corporation	21,000	940,590	DiamondCluster International <sup>a</sup>	80,400	1,152,132
Belden CDT	57,800	1,340,960	Forrester Research <sup>a</sup>	95,300	1,709,682
Checkpoint Systems <sup>a</sup>	103,000	1,859,150	Gartner Cl. A <sup>a</sup>	316,000	3,937,360
Dionex Corporation <sup>a,d</sup>	81,000	4,590,270	Keane <sup>a</sup>	480,000	7,056,000
Excel Technology <sup>a,d</sup>	168,500	4,381,000	MAXIMUS <sup>a</sup>	145,900	4,540,408
Hutchinson Technology <sup>a,d</sup>	15,000	518,550	Perot Systems Cl. A <sup>a</sup>	165,100	2,646,553
Imation Corporation	15,700	499,731	Sapient Corporation <sup>a,d</sup>	719,400	5,690,454
InFocus Corporation <sup>a</sup>	79,000	723,640	Syntel	148,500	2,604,690
			Unisys Corporation <sup>a</sup>	325,000	3,308,500
					48,065,634

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

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DECEMBER 31, 2004

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	SHARES	VALUE		SHARES	VALUE
<b>Technology (continued)</b>			Powerwave Technologies <sup>a,d</sup>	105,000	\$ 890,400
Semiconductors and Equipment - 3.2%			Scientific-Atlanta	140,300	4,631,303
BE Semiconductor Industries <sup>a</sup>	58,000	\$ 324,220	Time Warner Telecom Cl. A <sup>a,d</sup>	179,000	780,440
Cabot Microelectronics <sup>a,d</sup>	170,800	6,840,540	Tollgrade Communications <sup>a</sup>	20,000	244,800
CEVA <sup>a,d</sup>	31,666	288,382			
Cognex Corporation	118,400	3,303,360			17,392,155
Conexant Systems <sup>a,d</sup>	11,980	23,840			

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Credence Systems <u>a,d</u>	53,600	490,440	<b>Total</b> (Cost \$157,815,599)		213,256,828
Cymer <u>a,d</u>	14,500	428,330			
DSP Group <u>a,d</u>	115,000	2,567,950	<b>Utilities - 0.2%</b>		
DuPont Photomasks <u>a</u>	35,000	924,350	CH Energy Group	44,500	2,138,225
Exar Corporation <u>a</u>	245,700	3,486,483	Southern Union <u>a</u>	11,025	264,380
Fairchild Semiconductor International Cl. A <u>a,d</u>	51,200	832,512	<b>Total</b> (Cost \$2,127,416)		2,402,605
Helix Technology	36,900	641,691			
Integrated Circuit Systems <u>a</u>	75,000	1,569,000	<b>Miscellaneous - 5.0%</b>		
Intevac <u>a,d</u>	100,550	760,158	<b>Total</b> (Cost \$43,411,236)		49,571,124
Kulicke & Soffa Industries <u>a,d</u>	105,800	911,996			
Lattice Semiconductor <u>a,d</u>	254,000	1,447,800	<b>TOTAL COMMON STOCKS</b>		
Mentor Graphics <u>a,d</u>	225,700	3,450,953	(Cost \$743,756,285)		1,109,674,922
National Semiconductor	76,400	1,371,380			
Novellus Systems <u>a</u>	12,000	334,680	<b>PREFERRED STOCK - 0.1%</b>		
Semitool <u>a,d</u>	50,000	464,000	Aristotle Corporation		
Silicon Storage Technology <u>a,d</u>	76,000	452,200	11.00% Conv.	4,800	39,120
Veeco Instruments <u>a,d</u>	65,000	1,369,550	<b>TOTAL PREFERRED STOCK</b>		
			(Cost \$31,005)		39,120
		32,283,815			
<b>Software - 2.3%</b>					<b>PRINCIPAL AMOUNT</b>
ANSYS <u>a,d</u>	20,000	641,200	<b>CORPORATE BONDS - 0.1%</b>		
Aspen Technology <u>a</u>	27,100	168,291	Dixie Group 7.00% Conv. Sub. Deb. due 5/15/12	\$ 490,000	470,400
Autodesk	122,000	4,629,900	Richardson Electronics 7.25% Conv. Sub. Deb. due 12/15/06	1,157,000	1,157,000
Business Objects ADR <u>a,b,d</u>	20,500	519,470			
JDA Software Group <u>a,d</u>	99,900	1,360,638	<b>TOTAL CORPORATE BONDS</b>		
MRO Software <u>a</u>	46,000	598,920	(Cost \$1,450,159)		1,627,400
Macromedia <u>a</u>	51,600	1,605,792			
ManTech International Cl. A <u>a</u>	135,000	3,204,900	<b>U.S. TREASURY OBLIGATIONS - 2.6%</b>		
Manugistics Group <u>a</u>	49,200	141,204	U. S. Treasury Notes 5.625% due 2/15/06	25,000,000	25,773,450
Novell <u>a,d</u>	95,000	641,250	<b>TOTAL U.S. TREASURY OBLIGATIONS</b>		
Progress Software <u>a</u>	30,500	712,175	(Cost \$25,987,715)		25,773,450
SPSS <u>a</u>	179,600	2,808,944			
Sybase <u>a</u>	82,600	1,647,870	<b>REPURCHASE AGREEMENT - 6.7%</b>		
Transaction Systems Architects Cl. A <u>a</u>	213,150	4,231,027	State Street Bank & Trust Company, 1.80% dated 12/31/04, due 1/3/05, maturity value \$66,829,023 (collateralized by Federal Home Loan		
		22,911,581			
<b>Telecommunications - 1.8%</b>					
Broadwing Corporation <u>a</u>	1,000	9,110			
Catapult Communications <u>a</u>	75,100	1,814,416			
Covad Communications Group <u>a,d</u>	35,000	75,250			

Globecomm Systems <sup>a,d</sup>	233,700	1,486,332	Mortgage Corp., 2.875% due 9/15/05 and Federal National Mortgage Association, 3.25% due 8/15/08, valued at \$68,163,003)	
IDT Corporation <sup>a</sup>	25,000	367,000		
IDT Corporation Cl. B <sup>a,d</sup>	40,000	619,200		
ITT Educational Services <sup>a</sup>	113,000	5,373,150	(Cost \$66,819,000)	66,819,000
Level 3 Communications <sup>a,d</sup>	280,400	950,556		
Metro One Telecommunications <sup>a,d</sup>	25,000	39,750		
PECO II <sup>a</sup>	93,600	110,448		

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

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**ROYCE VALUE TRUST****DECEMBER 31, 2004****Schedule of Investments**

	<b>VALUE</b>
<b>COLLATERAL RECEIVED FOR SECURITIES LOANED <math>\square</math> 7.3%</b>	
U.S. Treasury Bonds	
8.125%-12.00% due 8/15/13-5/15/21	\$ 39,733
U.S. Treasury Notes	
3.375% due 11/15/08	28,684
Money Market Funds	
State Street Navigator Securities Lending	
Prime Portfolio	72,121,380
	<u>72,189,797</u>
(Cost \$72,189,797)	<u>72,189,797</u>
<b>TOTAL INVESTMENTS <math>\square</math> 128.5%</b>	
(Cost \$910,233,961)	1,276,123,689
<b>LIABILITIES LESS CASH AND OTHER ASSETS <math>\square</math> (6.3%)</b>	(62,819,260)
<b>PREFERRED STOCK <math>\square</math> (22.2%)</b>	(220,000,000)
<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS <math>\square</math> 100.0%</b>	<b>\$ <u>993,304,429</u></b>

<sup>a</sup> Non-income producing.<sup>b</sup> American Depository Receipt.<sup>c</sup> At December 31, 2004, 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.

A portion of these securities were on loan at December 31, 2004. Total market value of loaned securities at December 31, 2004, was \$70,152,378.

<sup>e</sup> When Issued.

<sup>f</sup> New additions in 2004.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2004, market value.**

**INCOME TAX INFORMATION:**The cost of total investments for Federal income tax purposes was \$912,095,358. At December 31, 2004, net unrealized appreciation for all securities was \$364,028,331, consisting of aggregate gross unrealized appreciation of \$400,021,845 and aggregate gross unrealized depreciation of \$35,993,514. 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.

## ROYCE VALUE TRUST

**DECEMBER 31, 2004**

### Statement of Assets and Liabilities

#### ASSETS:

Investments at value (including collateral on loaned securities)\*

Non-Affiliates (cost \$835,378,422)

\$ 1,203,391,753

Affiliated Companies (cost \$8,036,539)

5,912,936

Total investments at value

1,209,304,689

Repurchase agreement (at cost and value)

66,819,000

Cash

227,027

Receivable for investments sold

12,524,033

Receivable for dividends and interest

1,404,388

**Total Assets**

**1,290,279,137**

#### LIABILITIES:

Payable for collateral on loaned securities

72,189,797

Payable for investments purchased

3,123,651

Payable for investment advisory fee

1,092,809

Preferred dividends accrued but not yet declared

288,449

Accrued expenses

280,002

**Total Liabilities**

**76,974,708**

#### PREFERRED STOCK:

5.90% Cumulative Preferred Stock  $\square$  \$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**

**\$ 993,304,429**

**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

Common Stock paid-in capital □ \$0.001 par value per share; 52,415,890 shares outstanding (150,000,000 shares authorized)	\$ 621,085,067
Accumulated net realized gain (loss) on investments	6,618,083
Net unrealized appreciation (depreciation) on investments	365,889,728
Preferred dividends accrued but not yet declared	(288,449)

Net Assets applicable to Common Stockholders (net asset value per share □ \$18.95)	\$ 993,304,429
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*Investments at identified cost (including \$72,189,797 of collateral on loaned securities)	\$ 843,414,961
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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**

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**ROYCE VALUE TRUST****YEAR ENDED DECEMBER 31, 2004****Statement of Operations****INVESTMENT INCOME:**

Income:	
Dividends	
Non-Affiliates	\$ 7,523,733
Affiliated Companies	80,748
Interest	1,345,616
Securities lending	129,238

Total income	9,079,335
--------------	-----------

## Expenses:

Investment advisory fees	12,476,948
Stockholder reports	388,775
Custody and transfer agent fees	258,635
Directors' fees	122,268
Administrative and office facilities expenses	108,546
Professional fees	54,676
Other expenses	119,494

Total expenses	13,529,342
----------------	------------

Net investment income (loss)	(4,450,007)
------------------------------	-------------

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:**

Net realized gain (loss) on investments	
Non-Affiliates	100,856,818
Affiliated Companies	7,224,129
Net change in unrealized appreciation (depreciation) on investments	87,658,900

Net realized and unrealized gain (loss) on investments	195,739,847
--	-------------

<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b>	191,289,840
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>	(12,980,000)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	\$178,309,840

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

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## ROYCE VALUE TRUST

### Statement of Changes in Net Assets

	Year ended 12/31/04	Year ended 12/31/03
<b>INVESTMENT OPERATIONS:</b>		
Net investment income (loss)	\$ (4,450,007)	\$ (2,493,169)
Net realized gain (loss) on investments	108,080,947	74,989,675
Net change in unrealized appreciation (depreciation) on investments	87,658,900	208,275,790
Net increase (decrease) in net assets resulting from investment operations	191,289,840	280,772,296
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>		
Net realized gain on investments	(12,980,000)	(12,252,107)
Quarterly distributions accrued but not yet declared	□	(22,225)
Total distributions to Preferred Stockholders	(12,980,000)	(12,274,332)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	178,309,840	268,497,964
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>		
Net realized gain on investments	(78,920,089)	(61,293,595)
Total distributions to Common Stockholders	(78,920,089)	(61,293,595)
<b>CAPITAL STOCK TRANSACTIONS:</b>		
Net proceeds from rights offering	□	54,487,617
Offering costs from issuance of Preferred Stock	□	(7,261,800)
Reinvestment of distributions to Common Stockholders	43,141,563	35,567,306
Total capital stock transactions	43,141,563	82,793,123
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	142,531,314	289,997,492

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

Beginning of year	850,773,115	560,775,623
End of year	\$ 993,304,429	\$ 850,773,115

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

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**ROYCE VALUE TRUST****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,**

	2004	2003	2002	2001	2000
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$17.03	\$13.22	\$17.31	\$16.56	\$15.77
<b>INVESTMENT OPERATIONS:</b>					
Net investment income (loss)	(0.08)	(0.05)	(0.02)	0.05	0.18
Net realized and unrealized gain (loss) on investments	3.81	5.64	(2.25)	2.58	2.58
<b>Total investment operations</b>	<b>3.73</b>	<b>5.59</b>	<b>(2.27)</b>	<b>2.63</b>	<b>2.76</b>
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>					
Net investment income	□	□	(0.01)	(0.01)	(0.03)
Net realized gain on investments	(0.26)	(0.26)	(0.28)	(0.30)	(0.30)
<b>Total distributions to Preferred Stockholders</b>	<b>(0.26)</b>	<b>(0.26)</b>	<b>(0.29)</b>	<b>(0.31)</b>	<b>(0.33)</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	<b>3.47</b>	<b>5.33</b>	<b>(2.56)</b>	<b>2.32</b>	<b>2.43</b>
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>					
Net investment income	□	□	(0.07)	(0.05)	(0.13)
Net realized gain on investments	(1.55)	(1.30)	(1.44)	(1.44)	(1.35)
<b>Total distributions to Common Stockholders</b>	<b>(1.55)</b>	<b>(1.30)</b>	<b>(1.51)</b>	<b>(1.49)</b>	<b>(1.48)</b>

**CAPITAL STOCK TRANSACTIONS:**

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Effect of reinvestment of distributions by Common Stockholders	0.00	(0.00)	(0.02)	(0.08)	(0.16)
Effect of rights offering and Preferred Stock offering	□	(0.22)	□	□	□
<b>Total capital stock transactions</b>	<b>0.00</b>	<b>(0.22)</b>	<b>(0.02)</b>	<b>(0.08)</b>	<b>(0.16)</b>
<b>NET ASSET VALUE, END OF PERIOD</b>	<b>\$18.95</b>	<b>\$17.03</b>	<b>\$13.22</b>	<b>\$17.31</b>	<b>\$ 16.56</b>
<b>MARKET VALUE, END OF PERIOD</b>	<b>\$20.44</b>	<b>\$17.21</b>	<b>\$13.25</b>	<b>\$15.72</b>	<b>\$14.438</b>
<b>TOTAL RETURN (a):</b>					
Market Value	29.6%	42.0%	(6.9)%	20.0%	22.7%
Net Asset Value	21.4%	40.8%	(15.6)%	15.2%	16.6%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>					
Total expenses (b,c)	1.51%	1.49%	1.72%	1.61%	1.43%
Management fee expense	1.39%	1.34%	1.56%	1.45%	1.25%
Other operating expenses	0.12%	0.15%	0.16%	0.16%	0.18%
Net investment income (loss)	(0.50)%	(0.36)%	(0.09)%	0.35%	1.18%
<b>SUPPLEMENTAL DATA:</b>					
Net Assets Applicable to Common Stockholders,					
End of Period (in thousands)	\$993,304	\$850,773	\$560,776	\$689,141	\$623,262
Liquidation Value of Preferred Stock, End of Period (in thousands)	\$220,000	\$220,000	\$160,000	\$160,000	\$160,000
Portfolio Turnover Rate	30%	23%	35%	30%	36%
<b>PREFERRED STOCK:</b>					
Total shares outstanding	8,800,000	8,800,000	6,400,000	6,400,000	6,400,000
Asset coverage per share	\$137.88	\$121.68	\$112.62	\$132.68	\$122.38
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average market value per share (d):					
5.90% Cumulative	\$24.50	\$25.04	□	□	□
7.80% Cumulative	□	\$25.87	\$26.37	\$25.70	\$23.44
7.30% Tax-Advantaged Cumulative	□	\$25.53	\$25.82	\$25.37	\$22.35

- (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 1.21%, 1.19%, 1.38%, 1.30% and 1.12% for the periods ended December 31, 2004, 2003, 2002, 2001 and 2000, 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% and 1.51% for the periods ended December 31, 2003, 2002, 2001 and 2000, respectively.
- (d) The average of month-end market values during the period that the preferred stock was outstanding.



**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 an 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:**

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 entered 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.

**Capital Stock:**

The Fund issued 2,459,541 and 2,448,904 shares of Common Stock as reinvestment of distributions by

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

Common Stockholders for the years ended December 31, 2004 and 2003, 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

## ROYCE VALUE TRUST

### Notes to Financial Statements (continued)

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, 2004, 8,800,000 shares of 5.90% Cumulative Preferred Stock were outstanding. The Fund's Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets 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.

#### 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 Fund's 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 "performance period"). 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 Fund's 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.

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

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 applicable Preferred Stock's dividend rate.

For the year ended December 31, 2004, the Fund accrued and paid Royce advisory fees totaling \$12,476,948.

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**Distributions to Stockholders:**

The tax character of distributions paid to stockholders during 2004 and 2003 was as follows:

Distributions paid from:	2004	2003
Ordinary income	\$	\$ 1,416,811
Long-term capital gain	91,900,089	72,128,891
	<u>\$91,900,089</u>	<u>\$73,545,702</u>

As of December 31, 2004, the tax basis components of distributable earnings included in stockholder's equity were as follows:

Undistributed net investment income	\$ 2,209,226
Undistributed long-term capital gain	6,270,254
Unrealized appreciation	364,028,331
Accrued preferred distributions	(288,449)
	<u>\$ 372,219,362</u>

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, 2004, 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
\$4,450,007	\$(4,700,432)	\$250,425

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2004, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$335,554,494 and \$303,014,891, 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 company's outstanding voting securities. The Fund effected the following transactions in shares of such companies during the year ended December 31, 2004:

Affiliated Company	Shares 12/31/03	Market Value 12/31/03	Cost of Purchases	Cost of Sales	Realized Gain (Loss)	Dividend Income	Shares 12/31/04	Market Value 12/31/04
CompX International*	482,200	\$ 3,086,080	\$ □	\$ 944,475	\$ 1,856,279	\$ 37,788		
Falcon Products	761,600	3,351,040	368,250	□	□	□	941,600	\$ 197,736
MGP Ingredients*	417,322	6,572,822	□	2,990,704	5,346,015	42,960		
Peerless Manufacturing	158,600	2,045,940	□	□	□	□	158,600	2,299,700
Richardson Electronics*								
7.25% Conv. due 12/15/06	1,319,000	1,213,480	□	140,165	21,835	□		
Synalloy Corporation	345,000	2,387,400	□	□		□	345,000	3,415,500
		\$ 18,656,762			\$ 7,224,129	\$ 80,748		\$ 5,912,936

\*Not an Affiliated Company at December 31, 2004.

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**Report of Independent Registered Public Accounting Firm**

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**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, 2004, 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 the standards of the Public Company Accounting Oversight Board (U.S.). 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, 2004, 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, 2004, 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 21, 2005

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**ROYCE MICRO-CAP TRUST**

**DECEMBER 31, 2004**

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**Schedule of Investments**



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			Pacific Mercantile Bancorp <sup>a,c</sup>		
		2,708,067	Queen City Investments	948	583,020
			Sterling Bancorp	21,780	615,285
<b>Total</b> (Cost \$7,542,995)		<u>15,625,153</u>			<u>5,622,697</u>
<b>Consumer Services</b> $\square$ <b>5.2%</b>					
Direct Marketing - 0.2%			Insurance - 3.5%		
J. Jill Group <sup>a</sup>	3,100	46,159	American Safety Insurance Holdings <sup>a</sup>	5,000	81,700
Sportsman's Guide (The) <sup>a</sup>	25,000	562,500	Argonaut Group <sup>a</sup>	30,900	652,917
ValueVision Media Cl. A <sup>a,c</sup>	5,000	69,550	<b>First Acceptance</b> <sup>a</sup>	258,405	2,315,309
		<u>678,209</u>	Independence Holding	33,534	618,702
			NYMAGIC	65,400	1,654,620
			Navigators Group <sup>a,c</sup>	37,200	1,120,092
Leisure and Entertainment - 0.2%			PXRE Group	73,164	1,844,464
IMAX Corporation <sup>a,c</sup>	25,000	206,225	ProAssurance Corporation <sup>a,c</sup>	29,300	1,145,923
Multimedia Games <sup>a,c</sup>	5,000	78,800	Wellington Underwriting	444,712	760,410
Singing Machine Company (The) <sup>a,c</sup>	5,000	3,500			<u>10,194,137</u>
TiVo <sup>a,c</sup>	20,000	117,400			
		<u>405,925</u>	Securities Brokers - 0.2%		
			Sanders Morris Harris Group	21,000	374,010
Media and Broadcasting - 0.3%			Stifel Financial <sup>a</sup>	11,733	245,806
Outdoor Channel Holdings <sup>a</sup>	69,750	969,525			<u>619,816</u>
Restaurants and Lodgings - 0.1%			<b>Total</b> (Cost \$9,620,913)		<u>16,436,650</u>
Angelo and Maxie's <sup>a</sup>	3,333	2,500			
Benihana Cl. A <sup>a</sup>	800	13,000			
BUCA <sup>a,c</sup>	30,000	208,800			
California Pizza Kitchen <sup>a,c</sup>	6,000	138,000			
		<u>362,300</u>			

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

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## ROYCE MICRO-CAP TRUST

### Schedule of Investments



	SHARES	VALUE		SHARES	VALUE
<b>Financial Services</b> □ <b>1.5%</b>			On Assignment <sup>a</sup>	26,100	\$ 135,459
Investment Management - 0.6%			Quovadx <sup>a</sup>	5,000	11,950
MVC Capital	207,300	\$ 1,882,284	RehabCare Group <sup>a,c</sup>	22,000	615,780
			Sierra Health Services <sup>a,c</sup>	40,000	2,204,400
<b>Other Financial Services - 0.9%</b>			Sun Healthcare Group <sup>a,c</sup>	10,000	92,110
Clark <sup>a</sup>	20,900	324,368	Superior Consultant Holdings <sup>a</sup>	10,000	84,400
E-LOAN <sup>a,c</sup>	90,500	305,890	U.S. Physical Therapy <sup>a</sup>	10,000	154,200
MicroFinancial <sup>a</sup>	10,000	37,500			
PRG-Schultz International <sup>a,c</sup>	365,000	1,835,950			
		2,503,708	<b>Medical Products and Devices - 4.0%</b>		
			Allied Healthcare Products <sup>a</sup>	253,500	1,660,425
<b>Total</b> (Cost \$4,177,536)		4,385,992	Candela Corporation <sup>a,c</sup>	54,000	613,440
			CONMED Corporation <sup>a,c</sup>	3,900	110,838
<b>Health</b> □ <b>11.9%</b>			Del Global Technologies <sup>a</sup>	168,279	429,111
Commercial Services - 2.0%			Exactech <sup>a,c</sup>	60,200	1,101,058
First Consulting Group <sup>a,c</sup>	274,700	1,678,417	Medical Action Industries <sup>a</sup>	58,500	1,152,450
ICON ADR <sup>a,b</sup>	800	30,920	Molecular Devices <sup>a,c</sup>	25,500	512,550
<b>PAREXEL International</b> <sup>a,c</sup>	121,400	2,464,420	NMT Medical <sup>a</sup>	202,000	999,900
TriZetto Group (The) <sup>a</sup>	192,000	1,824,000	OrthoLogic Corporation <sup>a</sup>	20,000	125,000
			Orthofix International <sup>a</sup>	28,000	1,105,412
		5,997,757	PLC Systems <sup>a</sup>	105,200	83,108
<b>Drugs and Biotech - 2.9%</b>			Schick Technologies <sup>a,c</sup>	25,000	393,750
AXM Pharma <sup>a,c</sup>	107,000	356,310	Synovis Life Technologies <sup>a,c</sup>	25,000	270,250
Able Laboratories <sup>a,c</sup>	2,200	50,050	Utah Medical Products	42,300	950,481
Arena Pharmaceuticals <sup>a,c</sup>	9,500	63,555	Young Innovations	61,450	2,072,708
BioSource International <sup>a,c</sup>	187,900	1,296,510			
CancerVax Corporation <sup>a,c</sup>	15,000	162,750			
Cell Genesys <sup>a,c</sup>	10,000	81,000			
Cerus Corporation <sup>a</sup>	20,000	59,200	<b>Personal Care - 1.1%</b>		
Direct Corporation <sup>a,c</sup>	44,100	144,648	CCA Industries	55,140	630,802
DUSA Pharmaceuticals <sup>a</sup>	7,400	105,820	Helen of Troy <sup>a,c</sup>	20,000	672,200
Emisphere Technologies <sup>a,c</sup>	169,700	687,285	Inter Parfums	40,500	643,950
Gene Logic <sup>a</sup>	224,900	827,632	Lifeline Systems <sup>a</sup>	20,900	538,384
Geron Corporation <sup>a,c</sup>	6,000	47,820	Nature's Sunshine Products	24,000	488,640
Hi-Tech Pharmacal <sup>a,c</sup>	41,300	761,572	Nutraceutical International <sup>a</sup>	20,000	308,200
Hollis-Eden Pharmaceuticals <sup>a,c</sup>	8,000	75,360			
Life Sciences Research <sup>a,c</sup>	30,000	339,000			
Matrixx Initiatives <sup>a,c</sup>	23,000	266,570			
Maxim Pharmaceuticals <sup>a,c</sup>	6,200	18,724	<b>Total</b> (Cost \$22,681,131)		34,645,153
Maxygen <sup>a,c</sup>	5,000	63,950			
Momenta Pharmaceuticals <sup>a,c</sup>	5,000	35,300	<b>Industrial Products</b> □ <b>15.0%</b>		



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Myriad Genetics <sup>a,c</sup>	26,500	596,515	Automotive - 0.8%		
			Commercial Vehicle		
Nabi Biopharmaceuticals <sup>a,c</sup>	5,000	73,250	Group <sup>a,c</sup>	18,000	392,940
Orchid BioSciences <sup>a,c</sup>	50,000	575,000	LKQ Corporation <sup>a,c</sup>	32,000	642,240
Regeneration Technologies <sup>a,c</sup>	17,000	178,160	Spartan Motors	2,800	33,404
SFBC International <sup>a,c</sup>	15,000	592,500	Strattec Security <sup>a</sup>	3,300	206,646
Sangamo BioSciences <sup>a</sup>	10,000	60,000	Wecast Industries Cl. A	37,900	964,593
Theragenics Corporation <sup>a</sup>	30,000	121,800			
VIVUS <sup>a,c</sup>	160,200	712,890			2,239,823
		<hr/>			
		8,353,171	Building Systems and Components - 2.1%		
		<hr/>	Aeon <sup>a</sup>	47,500	763,325
Health Services - 1.9%			Juno Lighting	92,200	3,872,400
ATC Healthcare Cl. A <sup>a</sup>	35,000	13,650	LSI Industries	67,812	776,447
Albany Molecular Research <sup>a,c</sup>	50,000	557,000	Modtech Holdings <sup>a,c</sup>	74,700	587,889
Bio-Imaging Technologies <sup>a,c</sup>	79,800	437,304			
Covalent Group <sup>a</sup>	25,000	63,750			6,000,061
Gentiva Health Services <sup>a</sup>	13,000	217,360			
			Construction Materials - 1.4%		
MIM Corporation <sup>a,c</sup>	63,100	400,685	Ash Grove Cement Company	8,000	1,144,000
MedCath Corporation <sup>a,c</sup>	18,000	443,520	Monarch Cement	50,410	1,119,102
			Synalloy Corporation <sup>a</sup>	171,000	1,692,900
					3,956,002
			Industrial Components - 1.2%		
			Bel Fuse Cl. A	52,600	1,541,180
			Plug Power <sup>a,c</sup>	1,370	8,371

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

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	SHARES	VALUE		SHARES	VALUE
<b>Industrial Products (continued)</b>			<b>Industrial Services</b> □		
Industrial Components (continued)			13.5%		
			Advertising and Publishing - 0.7%		

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Powell Industries <sup>a</sup>	50,300	\$ 930,047	MDC Partners Cl. A <sup>a</sup>	111,600	\$ 1,204,164
Scientific Technologies <sup>a</sup>	10,700	45,154	NetRatings <sup>a</sup>	50,000	958,500
Tech/Ops Sevcon	76,200	480,822			
II-VI	10,000	424,900			2,162,664
Woodhead Industries	10,000	160,300			
		<hr/>			
		3,590,774	<b>Commercial Services -</b>		
		<hr/>	<b>5.4%</b>		
<b>Machinery - 2.0%</b>			Administaff <sup>a</sup>	10,000	126,100
Astec Industries <sup>a,c</sup>	40,200	691,842	American Bank Note		
Cascade Corporation	10,400	415,480	Holographics <sup>a</sup>	267,200	841,680
Danka Business Systems			Bennett Environmental <sup>a,c</sup>	20,900	73,777
ADR <sup>a,b,c</sup>	60,000	189,600	<b>Carlisle Holdings</b>	390,000	2,823,600
Hardinge	77,000	1,039,500	Collectors Universe <sup>a,c</sup>	500	10,195
Hurco Companies <sup>a</sup>	16,100	265,650	CorVel Corporation <sup>a</sup>	28,750	769,925
Keithley Instruments	14,000	275,800	Edgewater Technology <sup>a</sup>	18,339	89,861
Lindsay Manufacturing	10,000	258,800	Exponent <sup>a,c</sup>	68,300	1,877,567
MTS Systems	10,000	338,100	Geo Group (The) <sup>a</sup>	51,200	1,360,896
Mueller (Paul) Company	13,650	410,961	iGATE Corporation <sup>a</sup>	235,100	952,155
Pason Systems	62,100	1,909,816	Kforce <sup>a,c</sup>	55,000	610,500
		<hr/>	NCO Group <sup>a,c</sup>	20,000	517,000
		5,795,549	New Horizons Worldwide <sup>a</sup>	132,000	740,520
		<hr/>	Pegasus Solutions <sup>a,c</sup>	59,700	752,220
			Pemstar <sup>a,c</sup>	197,900	358,199
<b>Metal Fabrication and</b>			RemedyTemp Cl. A <sup>a,c</sup>	83,200	852,800
<b>Distribution - 2.1%</b>					
Aleris International <sup>a,c</sup>	47,270	799,808	SM&A <sup>a,c</sup>	2,500	21,328
Encore Wire <sup>a,c</sup>	15,000	199,950	TRC Companies <sup>a</sup>	29,000	493,000
Haynes International <sup>a,c</sup>	10,000	150,000	Volt Information Sciences <sup>a</sup>	36,600	1,075,674
Metals USA <sup>a</sup>	70,000	1,298,500	Westaff <sup>a</sup>	362,500	1,366,263
NN	148,300	1,959,043			
Penn Engineering & Manufacturing	56,600	1,024,460			15,713,260
Penn Engineering & Manufacturing Cl. A	30,800	462,000			
Universal Stainless & Alloy Products <sup>a</sup>	7,700	114,360			
		<hr/>			
		6,008,121	<b>Engineering and</b>		
		<hr/>	<b>Construction - 1.4%</b>		
<b>Paper and Packaging -</b>			Comfort Systems USA <sup>a</sup>	55,000	422,400
<b>0.1%</b>			Devcon International <sup>a</sup>	21,700	323,547
Mod-Pac Corporation <sup>a,c</sup>	23,200	296,032	Insituform Technologies Cl. A <sup>a,c</sup>	80,300	1,820,401
		<hr/>	Keith Companies <sup>a</sup>	10,000	173,900
			Skyline Corporation	32,100	1,309,680
					4,049,928
					<hr/>
<b>Pumps, Valves and Bearings - 0.8%</b>			<b>Food and Tobacco</b>		
Gorman-Rupp Company	3,375	77,625	<b>Processors - 1.1%</b>		
			ML Macadamia Orchards L.P.	120,200	670,716
<b>Sun Hydraulics</b>	145,550	2,324,434	<b>Seneca Foods Cl. A <sup>a</sup></b>	62,500	1,125,000
		<hr/>	<b>Seneca Foods Cl. B <sup>a</sup></b>	42,500	775,668
		2,402,059			
		<hr/>	Star Scientific <sup>a,c</sup>	58,500	297,473
<b>Specialty Chemicals and Materials - 3.0%</b>			Sunopta <sup>a,c</sup>	60,000	430,800
<b>Aceto</b>	178,446	3,397,612			
American Pacific	36,000	306,360			

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Balchem Corporation	10,000	346,900			3,299,657
CFC International <sup>a,c</sup>	134,100	2,102,688			
Hawkins	122,667	1,452,377	<b>Industrial Distribution - 0.9%</b>		
NuCo2 <sup>a,c</sup>	20,000	443,800	Central Steel & Wire	1,200	630,000
Park Electrochemical	10,000	216,800	Elamex <sup>a</sup>	70,200	162,162
Titanium Metals <sup>a,c</sup>	21,000	506,940	Lawson Products	19,500	983,385
			Strategic Distribution <sup>a</sup>	59,690	796,862
		8,773,477			
					2,572,409
<b>Textiles - 0.1%</b>					
Fab Industries <sup>a</sup>	56,400	221,088			
			<b>Printing - 1.0%</b>		
<b>Other Industrial Products - 1.4%</b>			Bowne & Co.	66,500	1,081,290
Color Kinetics <sup>a,c</sup>	50,000	879,000	Courier Corporation	15,300	794,376
Eastern Company (The)	26,500	530,000	Ennis	9,700	186,725
Maxwell Technologies <sup>a</sup>	15,300	155,142	Schawk	40,500	736,290
Myers Industries	32,276	413,133			
Peerless Manufacturing <sup>a</sup>	42,200	611,900			2,798,681
Quixote Corporation	34,500	701,385			
			<b>Transportation and Logistics - 2.5%</b>		
Raven Industries	40,000	852,400	AirNet Systems <sup>a,c</sup>	196,000	684,040
		4,142,960	Forward Air <sup>a</sup>	43,800	1,957,860
			Frozen Food Express Industries <sup>a</sup>	141,000	1,818,900
<b>Total</b> (Cost \$25,577,014)		43,425,946			

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

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## ROYCE MICRO-CAP TRUST

### Schedule of Investments

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Services (continued)</b>			<b>Other Natural Resources - 1.3%</b>		
Transportation and Logistics (continued)			PICO Holdings <sup>a</sup>	145,100	\$ 3,013,727
Hub Group Cl. A <sup>a</sup>	6,500	\$ 339,430	Pope Resources L.P.	33,000	825,000
Knight Transportation <sup>c</sup>	34,487	855,278			
MAIR Holdings <sup>a,c</sup>	8,600	79,120			3,838,727
Marten Transport <sup>a,c</sup>	4,000	90,920			

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Patriot Transportation Holding <sup>a</sup>	28,400	1,277,688	<b>Total</b> (Cost \$14,971,456)	31,794,448
Vitran Corporation Cl. A <sup>a</sup>	5,500	94,050		
		<hr/>		
		7,197,286	<b>Technology</b> $\square$ <b>26.5%</b>	
		<hr/>	Aerospace and Defense - 2.2%	
<b>Other Industrial Services - 0.5%</b>			Astronics Corporation <sup>a</sup>	26,400 134,112
Landauer Team <sup>a</sup>	21,300	973,410	CPI Aerostructures <sup>a</sup>	51,000 583,950
	23,500	365,425	Ducommun <sup>a</sup>	84,500 1,761,825
		<hr/>	HEICO Corporation	41,600 939,744
		1,338,835	HEICO Corporation Cl. A	4,160 71,926
		<hr/>	Herley Industries <sup>a,c</sup>	81,000 1,647,540
<b>Total</b> (Cost \$22,594,469)		39,132,720	Integral Systems	58,500 1,137,825
		<hr/>	SIFCO Industries <sup>a</sup>	45,800 262,892
				<hr/>
<b>Natural Resources</b> $\square$ <b>10.9%</b>				6,539,814
<b>Energy Services - 4.3%</b>				<hr/>
Carbo Ceramics	12,500	862,500	<b>Components and Systems - 7.0%</b>	
Conrad Industries <sup>a</sup>	154,000	357,434	Advanced Photonix Cl. A <sup>a,c</sup>	267,900 487,578
Dril-Quip <sup>a,c</sup>	66,500	1,613,290	AlphaSmart <sup>a</sup>	16,200 47,774
Gulf Island Fabrication	59,500	1,298,885	Belden CDT	15,000 348,000
GulfMark Offshore <sup>a,c</sup>	70,200	1,563,354	Bonso Electronics International	31,300 165,546
Input/Output <sup>a,c</sup>	168,500	1,489,540	CSP <sup>a</sup>	122,581 1,273,494
Lufkin Industries	36,000	1,436,688	Celestica <sup>a,c</sup>	25,875 365,096
NATCO Group Cl. A <sup>a</sup>	75,400	663,520	Dot Hill Systems <sup>a,c</sup>	69,000 540,960
Trican Well Service <sup>a</sup>	5,000	276,369	<b>Excel Technology</b> <sup>a,c</sup>	97,900 2,545,400
Valley National Gases	30,100	541,800	Fargo Electronics <sup>a,c</sup>	35,100 526,114
Veritas DGC <sup>a,c</sup>	37,700	844,857	Giga-tronics <sup>a</sup>	3,200 6,944
Willbros Group <sup>a,c</sup>	66,900	1,542,045	InFocus Corporation <sup>a</sup>	10,000 91,600
		<hr/>	International DisplayWorks <sup>a,c</sup>	43,000 393,450
		12,490,282	Kronos <sup>a,c</sup>	17,375 888,384
		<hr/>	<b>Lowrance Electronics</b>	91,000 2,866,409
<b>Oil and Gas - 2.6%</b>			Mobility Electronics <sup>a</sup>	1,000 8,580
<b>Bonavista Energy Trust</b>	132,000	2,973,319	MOCON	22,600 221,231
Contango Oil & Gas Company <sup>a,c</sup>	30,000	217,200	Neoware Systems <sup>a</sup>	2,600 24,203
Delta Petroleum <sup>a,c</sup>	23,000	360,640	OSI Systems <sup>a,c</sup>	25,000 567,750
Gulfport Energy <sup>a,c</sup>	362,176	1,195,181	Performance Technologies <sup>a,c</sup>	56,050 521,265
Nuvista Energy <sup>a</sup>	121,000	1,066,079	Plexus Corporation <sup>a</sup>	21,500 279,715
Petrohawk Energy <sup>a,c</sup>	18,500	158,360	Printronic <sup>a,c</sup>	25,000 447,750
Pioneer Drilling Company <sup>a,c</sup>	84,800	855,632	Radiant Systems <sup>a</sup>	64,200 417,942
Plains Exploration & Production Company <sup>a</sup>	24,140	627,640	REMEC <sup>a,c</sup>	231,500 1,669,115
Toreador Resources <sup>a,c</sup>	300	6,657	Richardson Electronics	202,100 2,144,281
		<hr/>	SafeNet <sup>a,c</sup>	11,781 432,834
		7,460,708	TTM Technologies <sup>a,c</sup>	100,000 1,180,000
		<hr/>	TransAct Technologies <sup>a</sup>	78,600 1,678,896
<b>Precious Metals and Mining - 1.5%</b>			Zomax <sup>a</sup>	20,000 82,200
Apex Silver Mines <sup>a,c</sup>	76,100	1,307,398		<hr/>

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Brush Engineered Materials <sup>a,c</sup>	15,500	286,750			20,222,511
Etruscan Resources <sup>a</sup>	575,900	885,558			
Gammon Lake Resources <sup>a,c</sup>	28,000	149,520	Distribution - 1.0%		
MK Resources Company <sup>a</sup>	513,800	1,053,290	Agilysys	90,000	1,542,600
Metallica Resources <sup>a,c</sup>	170,000	210,800	Bell Industries <sup>a</sup>	85,700	279,382
Northern Orion Resources <sup>a</sup>	164,500	478,695	Jaco Electronics <sup>a</sup>	31,400	125,600
		<u>4,372,011</u>	Nu Horizons Electronics <sup>a,c</sup>	40,000	319,200
			PC Mall <sup>a,c</sup>	20,000	447,600
			Pomeroy IT Solutions <sup>a</sup>	6,900	104,949
Real Estate - 1.2%					<u>2,819,331</u>
HomeFed Corporation <sup>a</sup>	69,352	3,467,600			
Kennedy-Wilson <sup>a,c</sup>	21,500	165,120			
		<u>3,632,720</u>			

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

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DECEMBER 31, 2004

	SHARES	VALUE		SHARES	VALUE
<b>Technology (continued)</b>					
Internet Software and Services - 1.0%			Pegasystems <sup>a,c</sup>	211,600	\$ 1,804,948
Digitas <sup>a,c</sup>	98,840	\$ 943,922	PLATO Learning <sup>a,c</sup>	121,142	902,508
EDGAR Online <sup>a,c</sup>	10,000	15,400	SPSS <sup>a</sup>	19,800	309,672
FindWhat.com <sup>a,c</sup>	10,000	177,300	Synplicity <sup>a,c</sup>	4,000	23,680
Inforte Corporation <sup>a</sup>	68,300	538,204	<b>Transaction Systems Architects Cl. A <sup>a,c</sup></b>	140,100	2,780,985
LookSmart <sup>a</sup>	20,000	43,800	Verity <sup>a</sup>	95,000	1,246,400
NIC <sup>a,c</sup>	26,800	136,144			<u>10,848,521</u>
RealNetworks <sup>a,c</sup>	65,700	434,934	Telecommunications - 3.7%		
Register.com <sup>a</sup>	41,857	265,792	Anaren <sup>a</sup>	94,800	1,228,608
Stamps.com <sup>a</sup>	21,200	335,808	Brooktrout <sup>a</sup>	27,500	330,275
		<u>2,891,304</u>	C-COR.net <sup>a</sup>	5,000	46,500
IT Services - 5.8%			Captaris <sup>a</sup>	88,000	454,080
			Centillium Communications <sup>a,c</sup>	11,000	26,730

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Bulldog Technologies <sup>a,c</sup>	25,000	42,500	<b>Communications Systems</b>	214,600	2,577,346
CIBER <sup>a,c</sup>	182,662	1,760,862	Computer Network Technology <sup>a,c</sup>	14,000	99,400
Computer Task Group <sup>a</sup>	381,100	2,134,160	Comtech		
<b>Covansys Corporation</b> <sup>a</sup>	227,500	3,480,750	Telecommunications <sup>a,c</sup>	2,000	75,220
DiamondCluster International <sup>a,c</sup>	158,100	2,265,573	KVH Industries <sup>a,c</sup>	5,000	49,000
Forrester Research <sup>a</sup>	105,500	1,892,670	MetaSolv <sup>a</sup>	5,800	15,370
Infocrossing <sup>a,c</sup>	20,000	338,600	Netopia <sup>a,c</sup>	93,000	293,880
Rainmaker Systems <sup>a,c</sup>	10,000	12,400	North Pittsburgh Systems Optical Communication Products <sup>a</sup>	15,700	388,261
<b>Sapient Corporation</b> <sup>a,c</sup>	500,000	3,955,000		45,000	112,500
Syntel	54,300	952,422	PC-Tel <sup>a,c</sup>	48,100	381,433
Tier Technologies Cl. B <sup>a</sup>	6,800	62,900	Radyne ComStream <sup>a</sup>	96,400	720,108
			Spectralink Corporation	57,000	808,260
			ViaSat <sup>a,c</sup>	94,200	2,286,234
		16,897,837	Yak Communications <sup>a,c</sup>	115,700	893,204
<b>Semiconductors and Equipment - 2.1%</b>					10,786,409
August Technology <sup>a,c</sup>	57,500	605,475	<b>Total</b> (Cost \$45,412,470)		77,046,405
Camtek <sup>a,c</sup>	20,500	91,840			
ESS Technology <sup>a,c</sup>	25,000	177,750	<b>Miscellaneous □ 5.0%</b>		
Electroglas <sup>a,c</sup>	281,700	1,338,075	<b>Total</b> (Cost \$10,937,621)		14,383,828
Exar Corporation <sup>a</sup>	68,500	972,015			
Helix Technology	9,500	165,205	<b>TOTAL COMMON STOCKS</b>		
Inficon Holding ADR <sup>a,b</sup>	10,000	73,000	(Cost \$176,003,082)		296,738,542
Integrated Silicon Solution <sup>a,c</sup>	60,000	492,000			
Intevac <sup>a,c</sup>	40,550	306,558	<b>PREFERRED STOCKS □ 0.5%</b>		
Monolithic System Technology <sup>a</sup>	5,000	31,150	Angelo and Maxie□s 10.00% Conv.	6,991	16,289
PDF Solutions <sup>a,c</sup>	30,000	483,300	<b>Seneca Foods Conv.</b> <sup>a</sup>	75,409	1,368,673
PLX Technology <sup>a,c</sup>	15,000	156,000			
Photronics <sup>a</sup>	29,750	490,875	<b>TOTAL PREFERRED STOCKS</b>		
QuickLogic Corporation <sup>a</sup>	20,000	56,820	(Cost \$957,998)		1,384,962
Semitool <sup>a,c</sup>	25,500	236,640			
White Electronic Designs <sup>a</sup>	57,500	363,975	<b>REPURCHASE AGREEMENT □ 16.9%</b>		
			State Street Bank & Trust Company, 1.80% dated 12/31/04, due 1/3/05, maturity value \$49,166,374 (collateralized by Federal National Mortgage Association, 1.875%-2.875% due 2/15/05-10/15/05, valued at \$50,149,838) (Cost \$49,159,000)		49,159,000
		6,040,678			
<b>Software - 3.7%</b>					
Aladdin Knowledge Systems <sup>a</sup>	27,300	675,675			
ANSYS <sup>a</sup>	30,800	987,448			
Applix <sup>a</sup>	20,000	102,000			
ILOG ADR <sup>a,b,c</sup>	35,000	430,500			

Indus International <sup>a</sup>	19,200	41,069
Intellisync Corporation <sup>a,c</sup>	125,000	255,000
InterVideo <sup>a,c</sup>	24,500	324,135
JDA Software Group <sup>a,c</sup>	59,500	810,390
Kongzhong Corporation		
ADR <sup>a,b,c</sup>	2,200	21,142
MSC.Software <sup>a,c</sup>	12,700	132,969

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

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## ROYCE MICRO-CAP TRUST

DECEMBER 31, 2004

### Schedule of Investments

	VALUE
<b>COLLATERAL RECEIVED FOR SECURITIES LOANED</b> □ <b>11.7%</b>	
U.S. Treasury Bonds	
6.00%-8.75% due 8/15/19-2/15/27	\$ 6,007
Money Market Funds	
State Street Navigator Securities Lending	
Prime Portfolio	34,064,689
	<hr/>
(Cost \$34,070,696)	34,070,696
	<hr/>
<b>TOTAL INVESTMENTS</b> □ <b>131.3%</b>	
(Cost \$260,190,776)	381,353,200
<b>LIABILITIES LESS CASH AND OTHER ASSETS</b> □ <b>(10.7)%</b>	(30,989,562)
<b>PREFERRED STOCK</b> □ <b>(20.6)%</b>	(60,000,000)
	<hr/>
<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> □ <b>100.0%</b>	<b>\$ 290,363,638</b>
	<hr/>

<sup>a</sup> Non-income producing.

<sup>b</sup> American Depository Receipt.

A portion of these securities were on loan at December 31, 2004. Total market value of loaned securities at December 31, 2004 was \$32,907,834.

<sup>d</sup> A security for which market quotations are no longer readily available represents 0% 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 2004.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2004 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$262,274,289. At December 31, 2004, net unrealized appreciation for all securities was \$119,078,911, consisting of aggregate gross unrealized appreciation of \$122,516,330 and aggregate gross unrealized depreciation of \$3,437,419. 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.

## ROYCE MICRO-CAP TRUST

**DECEMBER 31, 2004**

### Statement of Assets and Liabilities

#### ASSETS:

Investments at value (including collateral on loaned securities)*	\$ 332,194,200
Repurchase agreement (at cost and value)	49,159,000
Cash	319,166
Receivable for investments sold	4,244,480
Receivable for dividends and interest	176,814

Total Assets	386,093,660
--------------	-------------

#### LIABILITIES:

Payable for collateral on loaned securities	34,070,696
Payable for investments purchased	1,119,915
Payable for investment advisory fee	336,603
Preferred dividends accrued but not yet declared	80,000
Accrued expenses	122,808

Total Liabilities	35,730,022
-------------------	------------

#### 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
-----------------------	------------

<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 290,363,638</b>
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#### ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:

Common Stock paid-in capital □ \$0.001 par value per share; 20,243,386 shares outstanding (150,000,000 shares authorized)	\$ 162,091,331
Accumulated net realized gain (loss) on investments	7,189,883
Net unrealized appreciation (depreciation) on investments	121,162,424



Preferred dividends accrued but not yet declared	(80,000)
Net Assets applicable to Common Stockholders (net asset value per share □ \$14.34)	\$ 290,363,638
*Investments at identified cost (including \$34,070,696 of collateral on loaned securities)	\$ 211,031,776

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

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## ROYCE MICRO-CAP TRUST

YEAR ENDED DECEMBER 31, 2004

### Statement of Operations

#### INVESTMENT INCOME:

Income:	
Dividends	\$ 2,314,568
Interest	421,694
Securities lending	76,320
Total income	2,812,582
Expenses:	
Investment advisory fees	3,803,971
Custody and transfer agent fees	157,777
Stockholder reports	126,464
Directors' fees	58,148
Professional fees	34,881
Administrative and office facilities expenses	31,740
Other expenses	85,683
Total expenses	4,298,664
Net investment income (loss)	(1,486,082)
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>	
Net realized gain (loss) on investments	25,396,860
Net change in unrealized appreciation (depreciation) on investments	26,164,677
Net realized and unrealized gain (loss) on investments	51,561,537
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b>	50,075,455
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>	(3,600,000)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	

**RESULTING FROM INVESTMENT OPERATIONS**

\$ 46,475,455

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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.****ROYCE MICRO-CAP TRUST****Statement of Changes in Net Assets**

	Year Ended 12/31/04	Year Ended 12/31/03
<b>INVESTMENT OPERATIONS:</b>		
Net investment income (loss)	\$ (1,486,082)	\$ (1,643,163)
Net realized gain (loss) on investments	25,396,860	30,865,842
Net change in unrealized appreciation (depreciation) on investments	26,164,677	67,143,086
Net increase (decrease) in net assets resulting from investment operations	50,075,455	96,365,765
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>		
Net realized gain on investments	(3,600,000)	(3,236,104)
Quarterly distributions accrued but not yet declared	□	(11,111)
Total distributions to Preferred Stockholders	(3,600,000)	(3,247,215)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>		
	46,475,455	93,118,550
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>		
Net realized gain on investments	(25,919,005)	(16,874,985)
Total distributions to Common Stockholders	(25,919,005)	(16,874,985)
<b>CAPITAL STOCK TRANSACTIONS:</b>		
Offering costs from issuance of Preferred Stock	□	(2,097,350)
Reinvestment of distributions to Common Stockholders	16,382,136	11,707,658
Total capital stock transactions	16,382,136	9,610,308
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>		
	36,938,586	85,853,873

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

Beginning of year	253,425,052	167,571,179
End of year (including undistributed net investment income of \$3,449,948 in 2003)	\$ 290,363,638	\$ 253,425,052

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

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**ROYCE MICRO-CAP TRUST****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,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$13.33	\$9.39	\$11.83	\$10.14	\$11.00
<b>INVESTMENT OPERATIONS:</b>					
Net investment income (loss)	(0.08)	(0.09)	(0.13)	(0.05)	0.09
Net realized and unrealized gain (loss) on investments	2.62	5.28	(1.29)	2.57	1.23
Total investment operations	2.54	5.19	(1.42)	2.52	1.32
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>					
Net investment income	□	□	□	□	(0.01)
Net realized gain on investments	(0.19)	(0.18)	(0.18)	(0.19)	(0.22)
Total distributions to Preferred Stockholders	(0.19)	(0.18)	(0.18)	(0.19)	(0.23)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON</b>					

<b>STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	2.35	5.01	(1.60)	2.33	1.09
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>					
Net investment income	□	□	□	□	(0.09)
Net realized gain on investments	(1.33)	(0.92)	(0.80)	(0.57)	(1.63)
Total distributions to Common Stockholders	(1.33)	(0.92)	(0.80)	(0.57)	(1.72)
<b>CAPITAL STOCK TRANSACTIONS:</b>					
Effect of Preferred Stock Offering	□	(0.11)	□	□	□
Effect of reinvestment of distributions by Common Stockholders	(0.01)	(0.04)	(0.04)	(0.07)	(0.23)
Total capital stock transactions	(0.01)	(0.15)	(0.04)	(0.07)	(0.23)
<b>NET ASSET VALUE, END OF PERIOD</b>	\$14.34	\$13.33	\$9.39	\$11.83	\$10.14
<b>MARKET VALUE, END OF PERIOD</b>	\$15.24	\$12.60	\$8.44	\$10.50	\$8.625
<b>TOTAL RETURN (a):</b>					
Market Value	33.4%	63.6%	(12.7)%	28.8%	15.3%
Net Asset Value	18.7%	55.6%	(13.8)%	23.4%	10.9%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>					
Total expenses (b,c)	1.62%	1.82%	1.96%	1.78%	1.32%
Management fee expense	1.43%	1.59%	1.59%	1.57%	1.08%
Other operating expenses	0.19%	0.23%	0.37%	0.21%	0.24%
Net investment income (loss)	(0.56)%	(0.82)%	(1.23)%	(0.43)%	0.74%
<b>SUPPLEMENTAL DATA:</b>					
Net Assets Applicable to Common Stockholders, End of Period (in thousands)	\$290,364	\$253,425	\$167,571	\$200,443	\$163,820
Liquidation Value of Preferred Stock, End of Period (in thousands)	\$60,000	\$60,000	\$40,000	\$40,000	\$40,000
Portfolio Turnover Rate	32%	26%	39%	27%	49%
<b>PREFERRED STOCK:</b>					
Total shares outstanding	2,400,000	2,400,000	1,600,000	1,600,000	1,600,000
Asset coverage per share	\$145.98	\$130.59	\$129.73	\$150.28	\$127.39
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Average market value per share (d):					
6.00% Cumulative	\$24.66	\$25.37	□	□	□
7.75% Cumulative	□	\$25.70	\$25.91	\$25.30	\$23.08

- (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 1.32%, 1.49%, 1.62%, 1.46% and 1.06% for the periods ended December 31, 2004, 2003, 2002, 2001 and 2000, 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% and 1.81% for the periods ended December 31, 2003, 2002 and 2001, respectively.
- (d) The average of month-end market values during the period that the preferred stock was outstanding.

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## ROYCE MICRO-CAP TRUST

DECEMBER 31, 2004

### 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

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

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 an 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

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 entered 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.

#### **Capital Stock:**

The Fund issued 1,228,046 and 1,173,282 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2004 and 2003, 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

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## **ROYCE MICRO-CAP TRUST**

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### **Notes to Financial Statements (continued)**

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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

#### **Investment Advisory Agreement:**

As compensation for its services under the Investment Advisory Agreement, Royce & Associates,

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, 2004, 2,400,000 shares of 6.00% Cumulative Preferred Stock were outstanding. The Fund's Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets 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.

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

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 performance period). 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 applicable Preferred Stock's dividend rate.

For the year ended December 31, 2004, the Fund accrued and paid Royce advisory fees totaling \$3,803,971.

**Distributions to Stockholders:**

The tax character of distributions paid to stockholders during 2004 and 2003 was as follows:

Distributions paid from:	2004	2003
Ordinary income	\$ 3,410,255	\$ 3,217,774
Long-term capital gain	26,108,750	16,893,315
	<u>\$ 29,519,005</u>	<u>\$ 20,111,089</u>

As of December 31, 2004, the tax basis components of distributable earnings included in stockholder's equity were as follows:

Undistributed net investment income	\$ 2,446,218
Undistributed long-term capital gain	6,827,178
Unrealized appreciation	119,078,911
Accrued preferred distributions	(80,000)
	<u>\$ 128,272,307</u>

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, 2004, 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
<u>\$(1,963,866)</u>	<u>\$1,955,209</u>	<u>\$8,657</u>

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2004, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$89,157,225 and \$108,571,028, respectively.

## ROYCE MICRO-CAP TRUST

### Report of Independent Registered Public Accounting Firm

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, 2004, 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 the standards of the Public Company Accounting Oversight Board (U.S.). 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, 2004, 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, 2004, 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 21, 2005

## ROYCE FOCUS TRUST

DECEMBER 31, 2004

### Schedule of Investments

	SHARES	VALUE		SHARES	VALUE
<b>COMMON STOCKS</b> □ 99.3%			<b>Machinery - 7.0%</b>		
<b>Consumer Products</b> □ 5.8%			<b>Lincoln Electric Holdings</b>	75,000	\$ 2,590,500
Sports and Recreation - 2.4%			<b>Pason Systems</b>	100,000	3,075,389
<b>Winnebago Industries</b>	65,000	\$ 2,538,900	Woodward Governor Company	24,400	1,747,284
					<hr/>
Other Consumer Products - 3.4%					7,413,173
					<hr/>
Matthews International Cl. A	42,500	1,564,000	<b>Metal Fabrication and Distribution - 8.7%</b>		
Yankee Candle Company <sup>a</sup>	60,000	1,990,800	<b>IPSCO</b>	80,000	3,824,000
			Metal Management	75,000	2,015,250
			<b>Schnitzer Steel Industries Cl. A</b>	100,000	3,393,000
		3,554,800			

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<b>Total</b> (Cost \$3,224,509)		6,093,700		9,232,250
<b>Consumer Services</b> $\square$ <b>5.4%</b>				
Direct Marketing - 3.8%				
<b>Nu Skin Enterprises Cl. A</b>	159,900	4,058,262		
Retail Stores - 1.6%				
Big Lots <sup>a</sup>	60,000	727,800		
Pier 1 Imports	50,000	985,000		
		1,712,800		
<b>Total</b> (Cost \$3,217,534)		5,771,062		24,405,223
<b>Financial Intermediaries</b> $\square$ <b>8.9%</b>				
Insurance - 7.0%				
<b>Alleghany Corporation</b> <sup>a</sup>	12,546	3,578,746		
ProAssurance Corporation <sup>a</sup>	47,155	1,844,232		
White Mountains Insurance Group	3,000	1,938,000		
		7,360,978		
Other Financial Intermediaries - 1.9%				
TSX Group	45,000	2,008,187		
<b>Total</b> (Cost \$4,090,283)		9,369,165		
<b>Financial Services</b> $\square$ <b>6.4%</b>				
Information and Processing - 3.4%				
<b>eFunds Corporation</b> <sup>a</sup>	150,000	3,601,500		12,058,079
Investment Management - 3.0%				
Gabelli Asset Management Cl. A	41,500	2,013,580		
U.S. Global Investors Cl. A <sup>a,b</sup>	295,605	1,211,981		
		3,225,561		
<b>Total</b> (Cost \$4,309,131)		6,827,061		11,134,700
<b>Health</b> $\square$ <b>9.6%</b>				
Drugs and Biotech - 7.8%				
<b>Endo Pharmaceuticals Holdings</b> <sup>a</sup>	114,900	2,415,198		
<b>Lexicon Genetics</b> <sup>a</sup>	300,000	2,326,500		
Myriad Genetics <sup>a,b</sup>	75,000	1,688,250		
<b>Total</b> (Cost \$14,912,112)				23,192,779
<b>Technology</b> $\square$ <b>9.8%</b>				
Components and Systems - 2.9%				
Lowrance Electronics			56,100	1,767,094
<b>Total</b> (Cost \$12,153,818)				3,827,500
<b>Industrial Services</b> $\square$ <b>8.4%</b>				
Commercial Services - 3.6%				
<b>Carlisle Holdings</b> <sup>b</sup>	300,000	2,172,000		
West Corporation <sup>a</sup>	50,000	1,655,500		
				1,831,200
Engineering and Construction - 1.7%				
Dycom Industries <sup>a</sup>	60,000			
Industrial Distribution - 1.3%				
Ritchie Bros. Auctioneers	40,000	1,322,400		
Transportation and Logistics - 1.8%				
Nordic American Tanker Shipping	50,000	1,952,500		
<b>Total</b> (Cost \$4,843,551)				8,933,600
<b>Natural Resources</b> $\square$ <b>21.9%</b>				
Energy Services - 11.4%				
<b>Ensign Resource Service Group</b>	150,000	3,128,169		
<b>Input/Output</b> <sup>a,b</sup>	325,000	2,873,000		
Tesco Corporation <sup>a</sup>	150,000	1,635,000		
<b>Trican Well Service</b> <sup>a</sup>	80,000	4,421,910		
				12,058,079
Precious Metals and Mining - 10.5%				
<b>Glamis Gold</b> <sup>a</sup>	160,000	2,745,600		
<b>Goldcorp</b>	200,000	3,008,000		
<b>Hecla Mining Company</b> <sup>a,b</sup>	500,000	2,915,000		
<b>Meridian Gold</b> <sup>a</sup>	130,000	2,466,100		

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Orchid BioSciences <sup>a</sup>	160,000	1,840,000	Richardson Electronics	120,000	1,273,200
		<u>8,269,948</u>			<u>3,040,294</u>
Medical Products and Devices - 1.8%			IT Services - 1.3%		
Arrow International	60,000	1,859,400	Syntel	80,000	1,403,200
		<u>10,129,348</u>	Semiconductors and Equipment - 1.8%		
<b>Total</b> (Cost \$7,253,935)			CEVA <sup>a,b</sup>	89,600	815,987
<b>Industrial Products</b> $\square$ 23.1%			Exar Corporation <sup>a</sup>	75,000	1,064,250
Building Systems and Components - 4.0%					<u>1,880,237</u>
<b>Simpson Manufacturing</b>	120,000	4,188,000			
Construction Materials - 3.4%					
<b>Florida Rock Industries</b>	60,000	3,571,800			

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

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ROYCE FOCUS TRUST

DECEMBER 31, 2004

Schedule of Investments

	SHARES	VALUE		VALUE
<b>Technology (continued)</b>			<b>REPURCHASE AGREEMENT</b> $\square$	
Software - 3.8%			1.4%	
ManTech International Cl. A <sup>a</sup>	75,000	\$ 1,780,500	State Street Bank & Trust Company	
PLATO Learning <sup>a,b</sup>	35,000	260,750	1.80% dated 12/31/04, due 1/3/05, maturity value \$1,443,216	
Transaction Systems Architects Cl. A <sup>a</sup>	100,100	1,986,985	(collateralized by Federal National Mortgage Association, 3.875% due 2/15/05, valued at \$1,473,452)	
		<u>4,028,235</u>	(Cost \$1,443,000)	\$ 1,443,000
<b>Total</b> (Cost \$7,426,264)		<u>10,351,966</u>		
<b>TOTAL COMMON STOCKS</b>			<b>COLLATERAL RECEIVED FOR SECURITIES LOANED</b> $\square$ 3.9%	
(Cost \$61,431,137)		<u>105,073,904</u>	Money Market Funds	
			State Street Navigator Securities Lending	
			Prime Portfolio	

	<b>PRINCIPAL AMOUNT</b>		(Cost \$4,105,436)	<u>4,105,436</u>
<b>CORPORATE BONDS</b> □			<b>TOTAL INVESTMENTS</b> □ <b>127.3%</b>	
<b>1.4%</b>			(Cost \$89,558,371)	134,766,100
E*TRADE Financial 6.00%				
Conv. Sub. Note due				
2/1/07	\$ 1,500,000	<u>1,531,875</u>		
			<b>LIABILITIES LESS CASH</b>	
<b>TOTAL CORPORATE BONDS</b>		<u>1,531,875</u>	<b>AND OTHER ASSETS</b> (3.7)%	(3,913,508)
(Cost \$1,250,459)				
			<b>PREFERRED STOCK</b> □ <b>(23.6)%</b>	<u>(25,000,000)</u>
<b>GOVERNMENT BONDS</b> □			<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	
<b>11.6%</b>			100.0%	<b>\$ 105,852,592</b>
(Principal Amount shown				
in local currency.)				
Canadian Government				
Bond				
3.00% due 6/1/07	6,150,000	<u>5,096,970</u>		
New Zealand Government				
Bond				
6.50% due 02/15/06	10,000,000	<u>7,197,725</u>		
<b>TOTAL GOVERNMENT BONDS</b>		<u>12,294,695</u>		
(Cost \$10,869,061)				
<b>U.S. TREASURY OBLIGATIONS</b> □ <b>9.7%</b>				
U.S. Treasury Notes				
Treasury Inflation Index				
Protection				
Security 2.0% due 7/15/14	10,000,000	<u>10,317,190</u>		
<b>TOTAL U.S. TREASURY OBLIGATIONS</b>		<u>10,317,190</u>		
(Cost \$10,459,278)				

- a Non-income producing.
- b A portion of these securities were on loan at December 31, 2004. Total market value of loaned securities at December 31, 2004, was \$4,007,576.
- New additions in 2004.
- Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2004, market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$89,863,427. At December 31, 2004, net unrealized appreciation for all securities was \$44,902,673, consisting of aggregate gross unrealized appreciation of \$45,044,761 and aggregate gross unrealized depreciation of \$142,088. 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.

## ROYCE FOCUS TRUST

DECEMBER 31, 2004

## Statement of Assets and Liabilities

**ASSETS:**

Investments at value (including collateral on loaned securities)*	\$ 133,323,100
Repurchase agreement (at cost and value)	1,443,000
Receivable for dividends and interest	394,178

Total Assets	135,160,278
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**LIABILITIES:**

Payable for collateral on loaned securities	4,105,436
Payable for investment advisory fee	109,129
Preferred dividends accrued but not yet declared	33,333
Accrued expenses	59,788

Total Liabilities	4,307,686
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**PREFERRED STOCK:**

6.00% Cumulative Preferred Stock □ \$0.001 par value, \$25 liquidation value per share; 1,000,000 shares outstanding	25,000,000
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Total Preferred Stock	25,000,000
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<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 105,852,592</b>
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**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

Common Stock paid-in capital □ \$0.001 par value per share; 10,855,871 shares outstanding (100,000,000 shares authorized)	\$ 59,319,123
Undistributed net investment income (loss)	(15,000)
Accumulated net realized gain (loss) on investments	1,374,073
Net unrealized appreciation (depreciation) on investments	45,207,729
Preferred dividends accrued but not yet declared	(33,333)

Net Assets applicable to Common Stockholders (net asset value per share □ \$9.75)	\$ 105,852,592
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*Investments at identified cost (including \$4,105,436 of collateral on loaned securities)	\$ 88,115,371
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE ROYCE FUNDS ANNUAL REPORT  
2004 | 39

**ROYCE FOCUS TRUST****YEAR ENDED DECEMBER 31, 2004****Statement of Operations****INVESTMENT INCOME:**

Income:	
Interest	\$ 1,011,895
Dividends	653,844
Securities lending	6,304

Total income	1,672,043
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## Expenses:

Investment advisory fees	1,197,732
Custody and transfer agent fees	84,136
Stockholder reports	53,143
Professional fees	29,543
Directors' fees	21,062
Administrative and office facilities expenses	11,463
Other expenses	49,389

Total expenses	1,446,468
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Net investment income (loss)	225,575
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**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:**

Net realized gain (loss) on investments	16,972,445
Net change in unrealized appreciation (depreciation) on investments	9,319,147

Net realized and unrealized gain (loss) on investments	26,291,592
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<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b>	26,517,167
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<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>	(1,500,000)
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<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	\$25,017,167
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## Statement of Changes in Net Assets

	Year Ended 12/31/04	Year Ended 12/31/03
<b>INVESTMENT OPERATIONS:</b>		
Net investment income (loss)	\$ 225,575	\$ 735,458
Net realized gain (loss) on investments	16,972,445	8,288,351
Net change in unrealized appreciation (depreciation) on investments	9,319,147	24,687,435
Net increase (decrease) in net assets resulting from investment operations	26,517,167	33,711,244
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>		
Net investment income	(21,150)	(153,283)
Net realized gain on investments	(1,478,850)	(1,355,105)
Quarterly distributions accrued but not yet declared	□	(221)
Total distributions to Preferred Stockholders	(1,500,000)	(1,508,609)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	25,017,167	32,202,635
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>		
Net investment income	(242,185)	(582,175)
Net realized gain on investments	(16,948,411)	(5,147,260)
Total distributions to Common Stockholders	(17,190,596)	(5,729,435)
<b>CAPITAL STOCK TRANSACTIONS:</b>		
Offering costs from issuance of Preferred Stock	□	(984,000)
Reinvestment of distributions to Common Stockholders	11,013,943	3,566,912
Total capital stock transactions	11,013,943	2,582,912
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	18,840,514	29,056,112
<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>		
Beginning of year	87,012,078	57,955,966
End of year (including undistributed net investment income (loss) of (\$15,000) in 2004.)	\$ 105,852,592	\$ 87,012,078

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

THE ROYCE FUNDS ANNUAL REPORT 2004 | 41

**ROYCE FOCUS TRUST****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.

	<b>Years ended December 31,</b>				
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$ 9.00	\$ 6.27	\$ 7.28	\$ 6.77	\$ 5.94
<b>INVESTMENT OPERATIONS:</b>					
Net investment income (loss)	0.02	0.08	(0.01)	0.05	0.12
Net realized and unrealized gain (loss) on investments	2.63	3.57	(0.74)	0.79	1.26
Total investment operations	2.65	3.65	(0.75)	0.84	1.38
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>					
Net investment income	(0.00)	(0.02)	(0.03)	(0.04)	(0.03)
Net realized gain on investments	(0.15)	(0.14)	(0.13)	(0.13)	(0.14)
Total distributions to Preferred Stockholders	(0.15)	(0.16)	(0.16)	(0.17)	(0.17)
<b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>	2.50	3.49	(0.91)	0.67	1.21
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>					
Net investment income	(0.02)	(0.06)	(0.02)	(0.03)	(0.06)
Net realized gain on investments	(1.72)	(0.56)	(0.07)	(0.11)	(0.28)
Total distributions to Common Stockholders	(1.74)	(0.62)	(0.09)	(0.14)	(0.34)
<b>CAPITAL STOCK TRANSACTIONS:</b>					
Effect of Preferred Stock Offering	□	(0.11)	□	□	□
Effect of reinvestment of distributions by Common Stockholders	(0.01)	(0.03)	(0.01)	(0.02)	(0.04)
Total capital stock transactions	(0.01)	(0.14)	(0.01)	(0.02)	(0.04)



<b>NET ASSET VALUE, END OF PERIOD</b>	\$	9.75	\$	9.00	\$	6.27	\$	7.28	\$	6.77
<b>MARKET VALUE, END OF PERIOD</b>	\$	10.47	\$	8.48	\$	5.56	\$	6.65	\$	5.69
<b>TOTAL RETURN <sup>(a)</sup>:</b>										
Market Value		47.3%		64.0%		(15.1)%		19.7%		27.9%
Net Asset Value		29.2%		54.3%		(12.5)%		10.0%		20.9%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>										
Total expenses <sup>(b,c)</sup>		1.53%		1.57%		1.88%		1.47%		1.44%
Management fee expense		1.27%		1.14%		1.13%		1.11%		1.00%
Other operating expenses		0.26%		0.43%		0.75%		0.36%		0.44%
Net investment income (loss)		0.24%		1.07%		(0.16)%		0.70%		1.93%
<b>SUPPLEMENTAL DATA:</b>										
Net Assets Applicable to Common Stockholders,										
End of Period (in thousands)	\$	105,853	\$	87,012	\$	57,956	\$	66,654	\$	60,933
Liquidation Value of Preferred Stock, End of Period (in thousands)	\$	25,000	\$	25,000	\$	20,000	\$	20,000	\$	20,000
Portfolio Turnover Rate		52%		49%		61%		54%		69%
<b>PREFERRED STOCK:</b>										
Total shares outstanding		1,000,000		1,000,000		800,000		800,000		800,000
Asset coverage per share	\$	130.85	\$	112.01	\$	97.44	\$	108.32	\$	101.17
Liquidation preference per share	\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00
Average market value per share <sup>(d)</sup> :										
6.00% Cumulative	\$	24.83	\$	25.45		□		□		□
7.45% Cumulative		□	\$	25.53	\$	25.64	\$	25.09	\$	22.23

- (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 1.21%, 1.20%, 1.43%, 1.11% and 1.05% for the periods ended December 31, 2004, 2003, 2002, 2001 and 2000, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.73%, 2.06%, 1.69% and 1.81% for the periods ended December 31, 2003, 2002, 2001 and 2000, respectively.
- (d) The average of month-end market values during the period that the preferred stock was outstanding.

**Summary of Significant Accounting Policies:**

Royce Focus Trust, Inc. (the Fund) is a diversified closed-end investment company. The Fund commenced operations on March 2, 1988 and Royce & Associates, LLC (Royce) assumed investment management responsibility for the Fund on November 1, 1996.

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 an 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:**

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 5% 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 1.25% 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 entered 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.

**Capital Stock:**

The Fund issued 1,182,493 and 432,353 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December

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

31, 2004 and 2003, respectively.

On October 20, 2003, the Fund redeemed all (800,000 shares) of its then outstanding 7.45% Cumulative Preferred Stock at the redemption

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**ROYCE VALUE TRUST**
**DECEMBER 31, 2004**


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**Notes to Financial Statements (continued)**


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price of \$25.00 per share, plus accumulated and unpaid dividends through the redemption date of \$0.14486 per share. On October 17, 2003, the Fund received net proceeds of \$24,212,500 (after underwriting discounts of \$787,500 and before estimated offering expenses of \$196,500) from the public offering of 1,000,000 shares of 6.00% Cumulative Preferred Stock. Commencing October 17, 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, 2004, 1,000,000 shares of 6.00% Cumulative Preferred Stock were outstanding. The Fund's Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets 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.

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

**Distributions to Stockholders:**

The tax character of distributions paid to stockholders during 2004 and 2003 was as follows:

Distributions paid from:		
	<u>2004</u>	<u>2003</u>
Ordinary income	\$ 263,335	\$ 1,622,760
Long-term capital gain	18,427,261	5,615,063

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

**Investment Advisory Agreement:**

The Investment Advisory Agreement between Royce and the Fund provides for fees to be paid at an annual rate of 1.0% of the Fund's average daily net assets applicable to Common Stockholders plus the liquidation value of Preferred Stock. 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 applicable Preferred Stock's dividend rate.

For the year ended December 31, 2004, the Fund accrued and paid Royce advisory fees totaling \$1,197,732.

\$18,690,596    \$7,237,823

As of December 31, 2004, the tax basis components of distributable earnings included in stockholder's equity were as follows:

Undistributed long-term capital gain	\$ 1,664,129
Unrealized appreciation	44,902,673
Accrued preferred distributions	(33,333)
	\$46,533,469

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, 2004, 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)
\$22,760	\$(22,760)

#### **Purchases and Sales of Investment Securities:**

For the year ended December 31, 2004, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$61,719,366 and \$56,634,211, respectively.

## **ROYCE FOCUS TRUST**

### **Report of Independent Registered Public Accounting Firm**

#### **To the Board of Directors and Stockholders of Royce Focus Trust, Inc.**

We have audited the accompanying statement of assets and liabilities of Royce Focus Trust, Inc., including the schedule of investments, as of December 31, 2004, 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 the standards of the Public Company Accounting Oversight Board (U.S.). 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, 2004, by correspondence with the custodian. 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 Focus Trust, Inc. at December 31, 2004, 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 21, 2005

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## **DISTRIBUTION REINVESTMENT AND CASH PURCHASE OPTIONS FOR COMMON STOCKHOLDERS**

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### **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 Fund's 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, 2005.

### 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.

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## DIRECTORS AND OFFICERS

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**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 (65), Director\* and President  
**Term Expires:** 2006  
**Number of Funds Overseen:** 21  
**Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Non-Royce Directorships:** Director of Technology Investment Capital Corp.

**NAME AND POSITION:** Arthur S. Mehlman (63), Director  
**Term Expires:** 2004  
**Number of Funds Overseen:** 21  
**Tenure:** Since 2004  
**Non-Royce Directorships:** Director/Trustee of registered investment companies constituting the 23 Legg Mason Funds and Director of Municipal Mortgage & Equity, LLC.

**Principal Occupation(s) During Past Five Years:** President, Chief Investment Officer and Member of Board of Managers of Royce & Associates, LLC (Royce) (since October 2001), the Trust's investment adviser.

**Principal Occupation(s) During Past Five Years:** Director of The League for People with Disabilities, Inc.; Director of University of Maryland Foundation and University of Maryland College Park Foundation (nonprofits) and Partner, KPMG LLP (international accounting firm) (1972-2002).

**NAME AND POSITION:** Mark R. Fetting (50), Director\*  
**Term Expires:** 2004  
**Tenure:** Since 2001

**NAME AND POSITION:** David L. Meister (65), Director

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**Number of Funds Overseen: 21** **Non-Royce Directorships:** Director/Trustee of the registered investment companies constituting the 23 Legg Mason Funds.

**Term Expires:** 2004 **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**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.

**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:** Donald R. Dwight (73), Director  
**Term Expires:** 2005 **Tenure:** Since 1998  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**NAME AND POSITION:** G. Peter O'Brien (59), Director

**Term Expires:** 2006 **Tenure:** Since 2001  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** Director/Trustee of registered investment companies constituting the 23 Legg-Mason Funds; Director of Renaissance Capital Greenwich Fund and Director of Technology Investment Capital Corp.

**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 Eaton Vance Funds.

**Principal Occupation(s) During Past Five Years:** Trustee of Colgate University; 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:** Richard M. Galkin (66), Director  
**Term Expires:** 2004 **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**NAME AND POSITION:** John D. Diederich (53), 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.

**Principal Occupation(s) During Past Five Years:** Private investor. Mr. Galkin's 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:** Jack E. Fockler, Jr. (46), Vice President  
**Tenure:** Since 1995 (RVT), 1995 (RMT), 1996 (FUND)  
**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:** Stephen L. Isaacs (65), Director  
**Term Expires:** 2005 (RVT), 2005 (RMT), 2004 (FUND) **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**NAME AND POSITION:** W. Whitney George (46), Vice President  
**Tenure:** Since 1995 (RVT), 1995 (RMT), 1996 (FUND)  
**Principal Occupation(s) During Past Five Years:** Managing Director and Vice President of Royce, having been employed by Royce since October 1991.

**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. Isaacs's 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:** Daniel A. O'Byrne (42), Vice President and Assistant Secretary  
**Tenure:** Since 1994 (RVT), 1994 (RMT), 1996 (FUND)  
**Principal Occupation(s) During Past Five Years:** Vice President of Royce, having been employed by Royce since October 1986.

**NAME AND POSITION:** William L. Koke (70), Director  
**Term Expires:** 2004 (RVT), 2004 (RMT), 2005 (FUND) **Tenure:** Since 2001 (RVT), 2001 (RMT), 1997 (FUND)  
**Non-Royce Directorships:** None

**NAME AND POSITION:** John E. Denneen (37), 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 Legal and Compliance Officer and Secretary of Royce (1996-2001 and since April 2002); Principal of Credit Suisse First Boston Private Equity (2001-2002).



**Number of Funds**

**Overseen:** 21

**Principal Occupation(s) During Past Five Years:**

Financial planner with Shoreline Financial Consultants. Mr. Koke's prior business experience includes having served as Director of Financial Relations of SONAT, Inc., Treasurer of Ward Foods, Inc. and President of CFC, Inc.

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\* Interested Director

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## OTHER IMPORTANT INFORMATION

### 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.

### Authorized Share Transactions

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may each repurchase up to 300,000 shares of its respective common stock and up to 10% of the issued and outstanding shares of its respective preferred stock during the year ending December 31, 2005. 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 share's then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the share's 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 share's then current net asset value. The timing and terms of any such offerings are within each Board's discretion.

### Proxy Voting

A copy of the policies and procedures that The Royce Funds use to determine how to vote proxies relating to portfolio securities is available, without charge, by calling 1-800-221-4268 (toll-free) and on the website of the Securities and Exchange Commission ("SEC"), at [www.sec.gov](http://www.sec.gov). Information regarding how each of The Royce Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is also available without charge, by calling 1-800-221-4268 (toll-free), on the website of the SEC, at [www.sec.gov](http://www.sec.gov), and on The Royce Funds' website at [www.roycefunds.com](http://www.roycefunds.com).

### Form N-Q Filing



Edgar Filing: ROYCE VALUE TRUST INC - Form N-CSR

The Funds file their complete schedules of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on The Royce Funds' website at www.roycefunds.com and on the SEC's website at www.sec.gov. The Funds' Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 1-800-732-0330. The Funds' complete schedules of investments are updated quarterly, and are available at www.roycefunds.com.

**Annual Certifications**

As required, the Funds have submitted to the New York Stock Exchange (NYSE) for Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust, and to Nasdaq for Royce Focus Trust, respectively, the annual certification of the Funds' Chief Executive Officer that he is not aware of any violation of the NYSE's or Nasdaq's Corporate Governance listing standards. The Funds also have included the certification of the Funds' Chief Executive Officer and Chief Financial Officer required by section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Funds' Form N-CSR for the year ended December 31, 2004, filed with the Securities and Exchange Commission.

**STOCKHOLDER MEETING RESULTS**

ROYCE VALUE TRUST, INC.																																																																					
At the 2004 Annual Meeting of Stockholders held on September 28, 2004, the Fund's stockholders elected five Directors, consisting of:																																																																					
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ROYCE MICRO-CAP TRUST, INC.																			
At the 2004 Annual Meeting of Stockholders held on September 28, 2004, the Fund's stockholders elected five Directors, consisting of:																			
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		Votes For	Votes Abstained																

	Mark R. Fetting*		20,558,869		142,202		
	Richard M. Galkin*		20,542,698		158,193		
	William L. Koke**		1,961,756		19,834		
	Arthur S. Mehlman*		20,567,831		133,510		
	David L. Meister**		1,963,956		17,634		
* Common Stock and Preferred Stock voting together as a single class.							
** Preferred Stock voting as a separate class.							

ROYCE FOCUS TRUST, INC.							
At the 2004 Annual Meeting of Stockholders held on September 28, 2004, the Fund's stockholders elected five Directors, consisting of:							
			<b>Votes For</b>		<b>Votes Abstained</b>		
	Mark R. Fetting*		9,105,495		107,025		
	Richard M. Galkin*		9,105,926		107,224		
	Stephen L. Isaacs**		987,606		6,693		
	Arthur S. Mehlman*		9,106,894		105,626		
	David L. Meister**		986,706		7,593		
* Common Stock and Preferred Stock voting together as a single class.							
** Preferred Stock voting as a separate class.							

## The Royce Funds

### Wealth Of Experience

With approximately \$20.9 billion in open- and closed-end fund assets under management, Royce & Associates is committed to the same small-company investing principles that have served us well for more than 30 years. Charles M. Royce, our Chief Investment Officer, enjoys one of the longest tenures of any active mutual fund manager. Royce's investment staff includes six other Portfolio Managers, as well as eight assistant portfolio managers and analysts, and six traders..

### Multiple Funds, Common Focus

Our goal is to offer both individual and institutional investors the best available small-cap value portfolios. Unlike a lot of mutual fund groups with broad product offerings, we have chosen to concentrate on small-company value investing by providing investors with a range of funds that take full advantage of this large and diverse sector.

### **Consistent Discipline**

Our approach emphasizes paying close attention to risk and maintaining the same discipline, regardless of market movements and trends. The price we pay for a security must be significantly below our appraisal of its current worth. This requires a thorough analysis of the financial and business dynamics of an enterprise, as though we were purchasing the entire company.

### **Co-Ownership Of Funds**

It is important that our employees and shareholders share a common financial goal; our officers, employees and their families currently have approximately \$74 million invested in The Royce Funds.

#### **General Information**

Additional Report Copies  
and Fund Inquiries  
(800) 221-4268

#### **EquiServe**

Transfer Agent and Registrar  
(800) 426-5523

#### **Broker/Dealer Services**

For Fund Materials and Performance Updates,  
(800) 59-ROYCE (597-6923)

#### **Advisor Services**

For Fund Materials, Performance Updates,  
Transactions or Account Inquiries  
(800) 33-ROYCE (337-6923)

**[www.roycefunds.com](http://www.roycefunds.com)**

**CE-REP-1204**

**Item 2: Code(s) of Ethics** As of the end of the period covered by this report, the Registrant had adopted a code of ethics, as defined in Item 2 of Form N-CSR, applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is filed as an exhibit to this Form N-CSR. No substantive amendments were approved or waivers were granted to this code of ethics during the period covered by this report.

**Item 3: Audit Committee Financial Expert** □

(a)(1) The Board of Directors of the Registrant has determined that it has an audit committee financial expert.

- (a)(2) Arthur S. Mehlman was designated by the Board of Trustees as the Registrant's Audit Committee Financial Expert, effective April 15, 2004. Mr. Mehlman is independent as defined under Item 3 of Form N-CSR.

**Item 4: Principal Accountant Fees and Services.**

- (a) Audit Fees:  
Year ended December 31, 2004 - \$31,000  
Year ended December 31, 2003 - \$29,500
- (b) Audit-Related Fees:  
Year ended December 31, 2004 - \$1,500 □  
Preparation of reports to rating agency for Preferred Stock  
Year ended December 31, 2003 - \$6,000 □  
Preparation of reports to rating agency for Preferred Stock
- (c) Tax Fees:  
Year ended December 31, 2004 - \$2,500 □ Preparation of tax returns  
Year ended December 31, 2003 - \$2,500 □ Preparation of tax returns
- (d) All Other Fees:  
Year ended December 31, 2004 - \$0  
Year ended December 31, 2003 - \$7,500 □ Services in connection with Registration Statement on Form N-2 for newly issued Preferred Stock  
\$3,000 □ Services in connection with Registration Statement on Form N-2 relating to the Fund's Rights Offering

(e)(1) Annual Pre-Approval: On an annual basis, the Registrant's independent auditor submits to the Audit Committee a schedule of proposed audit, audit-related, tax and other non-audit services to be rendered to the Registrant and/or investment adviser(s) for the following year that require pre-approval by the Audit Committee. This schedule provides a description of each type of service that is expected to require pre-approval and the maximum fees that can be paid for each such service without further Audit Committee approval. The Audit Committee then reviews and determines whether to approve the types of scheduled services and the projected fees for them. Any subsequent revision to already pre-approved services or fees (including fee increases) are presented for consideration at the next regularly scheduled Audit Committee meeting, as needed.

If subsequent to the annual pre-approval of services and fees by the Audit Committee, the Registrant or one of its affiliates determines that it would like to engage the Registrant's independent auditor to perform a service not already pre-approved, the request is to be submitted to the Registrant's Chief Financial Officer, and if he or she determines that the service fits within the independence guidelines (e.g., it is not a prohibited service), he or she will then arrange for a discussion of the proposed service and fee to be included on the agenda for the next regularly scheduled Audit Committee meeting so that pre-approval can be considered.

Interim Pre-Approval: If, in the judgment of the Registrant's Chief Financial Officer, a proposed engagement needs to commence before the next regularly scheduled Audit Committee meeting, he or she shall submit a written summary of the proposed engagement to all members of the Audit Committee, outlining the services, the estimated maximum cost, the category of the services (e.g., audit, audit-related, tax or other) and the rationale for engaging the Registrant's independent auditor to perform the services. To the extent the proposed engagement involves audit, audit-related or tax services, any individual member of the Audit Committee who is an independent Board member is authorized to pre-approve the engagement. To the extent the proposed engagement involves non-audit services other than audit-related or tax, the Chairman of the Audit Committee is authorized to

pre-approve the engagement. The Registrant's Chief Financial Officer will arrange for this interim review and coordinate with the appropriate member(s) of the Committee. The independent auditor may not commence the engagement under consideration until the Registrant's Chief Financial Officer has informed the auditor in writing that pre-approval has been obtained from the Audit Committee or an individual member who is an independent Board member. The member of the Audit Committee who pre-approves any engagements in between regularly scheduled Audit Committee meetings is to report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next regularly scheduled meeting.

(e)(2) Not Applicable

(f) Not Applicable

(g) Year ended December 31, 2004 - \$4,000  
Year ended December 31, 2003 - \$19,000

(h) No such services were rendered during 2004 or 2003.

**Item 5: Not Applicable.**

**Item 6: Not Applicable.**

**Item  
7:**

June 5, 2003

**Royce & Associates Proxy Voting  
Guidelines and Procedures**

These procedures apply to Royce & Associates, LLC ( Royce ) and all funds and other client accounts for which it is responsible for voting proxies, including all open and closed-end registered investment companies ( The Royce Funds ), limited partnerships, limited liability companies, separate accounts, other accounts for which it acts as investment adviser and any accounts for which it acts as sub-adviser that have directly or indirectly delegated proxy voting authority to Royce. The Boards of Trustees/Directors of The Royce Funds have delegated all proxy voting decisions to

Royce.

Receipt of Proxy Material. Under the continuous oversight of the Head of Administration, an Administrative Assistant designated by him is responsible for monitoring receipt of all proxies and ensuring that proxies are received for all securities for which Royce has proxy voting responsibility. All proxy materials are logged in upon receipt by Royce's Librarian.

Voting of Proxies. Once proxy material has been logged in by Royce's Librarian, it is then promptly reviewed by the designated Administrative Assistant to evaluate the issues presented. Regularly recurring matters are usually voted as recommended by the issuer's board of directors or management. The Head of Administration, in consultation with the Chief Investment Officer, develops and updates a list of matters Royce treats as regularly recurring and is responsible for ensuring that the designated Administrative Assistant has an up-to-date list of these matters at all times, including instructions from Royce's Chief Investment Officer on how to vote on those matters on behalf of Royce clients. Examples of regularly recurring matters include non-contested elections of directors and non-contested approval of independent auditors. Non-regularly recurring matters are brought to the attention of the portfolio manager(s) for the account(s) involved by the designated Administrative Assistant, and, after giving some consideration to advisories from Proxy Master (a service provided by Institutional Shareholder Services), the portfolio manager directs that such matters be voted in a way that he or she believes should better protect or enhance the value of the investment. If the portfolio manager determines that information concerning any proxy requires analysis, is missing or incomplete, he or she then gives the proxy to an analyst or another portfolio manager for review and analysis.

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- a. From time to time, it is possible that one Royce portfolio manager will decide (i) to vote shares held in client accounts he or she manages differently from the vote of another Royce portfolio manager whose client accounts hold the same security or (ii) to abstain from voting on behalf of client accounts he or she manages when another Royce portfolio manager is casting votes on behalf of other Royce client accounts.

The designated Administrative Assistant reviews all proxy votes collected from Royce's portfolio managers prior to such votes being cast. If any difference exists among the voting instructions given by Royce's portfolio managers, as described above, the designated Administrative Assistant then presents these proposed votes to the Head of Administration and the Chief Investment Officer. The Chief Investment Officer, after consulting with the relevant portfolio managers, either reconciles the votes or authorizes the casting of differing votes by different Royce portfolio managers. The Head of Administration maintains a log of all votes for which different portfolio managers have cast differing votes, that describes the rationale for allowing such differing votes and contains the initials of both the Chief Investment Officer and Head of Administration allowing such differing votes. The Head of Administration performs a weekly review of all votes cast by Royce to confirm that any conflicting votes were properly handled in accordance with the above-described procedures.

- b. There are many circumstances that might cause Royce to vote against an issuer's board of directors or management proposal. These would include, among others, excessive compensation, unusual management stock options, preferential voting, poison pills, etc. Royce's portfolio managers decide these issues on a case-by-case basis as described above.
- c. A Royce portfolio manager may, on occasion, determine to abstain from voting a proxy or a specific proxy item when he or she concludes that the potential benefit of voting is outweighed by the cost, when it is not in the client account's best interest to vote.
- d. When a client has authorized Royce to vote proxies on its behalf, Royce will generally not accept instructions from the clients regarding how to vote proxies.

Custodian banks are authorized to release all shares held for Royce client account portfolios to Automated Data Processing Corporation ("ADP") for voting, utilizing ADP's "Proxy Edge" software system. Substantially all portfolio companies utilize ADP to collect their proxy votes. However, for the limited number of portfolio companies that do not utilize ADP, Royce attempts to register at least a portion of its clients holdings as a physical shareholder in order to ensure its receipt of a physical proxy.

Under the continuous oversight of the Head of Administration, the designated Administrative Assistant is responsible for voting all proxies in a timely manner. Votes are returned to ADP using Proxy Edge as ballots are received, generally two weeks before the scheduled meeting date. The issuer can thus see that the shares were voted, but the actual vote cast is not released to the company until 4pm on the day before the meeting. If proxies must be mailed, they go out at least ten business days before the meeting date.

**Conflicts of Interest.** The designated Administrative Assistant reviews reports generated by Royce's portfolio management system ("Quest PMS") that set forth by record date, any security held in a Royce client account which is issued by a (i) public company that is, or a known affiliate of which is, a separate account client of Royce (including sub-advisory relationships), (ii) public company, or a known affiliate of a public company, that has invested in a privately-offered pooled vehicle managed by Royce or (iii) public company, or a known affiliate of a public company, by which the spouse of a Royce employee or an immediate family member of a Royce employee living in the household of such employee is employed, for the purpose of identifying any potential proxy votes that could present a conflict of interest for Royce. The Head of Administration develops and updates the list of such public companies or their known affiliates which is used by Quest PMS to generate these daily reports. This list also contains information regarding the source of any potential conflict relating to such companies. Potential conflicts identified on the "conflicts reports" are brought to the attention of the Head of Administration by the designated Administrative Assistant, who then reviews them to determine if business or personal relationships exist between Royce, its officers, managers or employees and the company that could present a material conflict of interest. Any such identified material conflicts are voted by Royce in accordance with the recommendation given by an independent third party research firm (Institutional Shareholder Services). The Head of Administration maintains a

log of all such conflicts identified, the analysis of the conflict and the vote ultimately cast. Each entry in this log is signed by the Chief Investment Officer before the relevant votes are cast.

Recordkeeping. A record of the issues and how they are voted is stored in the Proxy Edge system. Copies of all physically executed proxy cards, all proxy statements and any other documents created or reviewed that are material to making a decision on how to vote proxies are retained in the Company File maintained by Royce's Librarian.

**Item 8: Not Applicable.**

**Item 9: Not Applicable.**

**Item 10: Controls and Procedures.**

(a) Disclosure Controls and Procedures. The Principal Executive and Financial Officers concluded that the Registrant's Disclosure Controls and Procedures are effective based on their evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

(b) Internal Control over Financial Reporting. There were no significant changes in Registrant's internal control over financial reporting or in other factors that could significantly affect this control subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

**Item 11:** Exhibits attached hereto.

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

**ROYCE VALUE TRUST, INC.**

BY: /s/ Charles M. Royce  
**Charles M. Royce**  
**President**

Date: February 28, 2005

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

**ROYCE VALUE TRUST, INC.**

BY: /s/ Charles M. Royce  
**Charles M. Royce**  
**President**

Date: February 28, 2005

**ROYCE VALUE TRUST, INC.**

BY: /s/ John D. Diederich  
**John D. Diederich**  
**Chief Financial Officer**



Date: February 28, 2005