

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

ROYCE FOCUS TRUST INC  
 Form N-CSRS/A  
 October 08, 2003

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

FORM N-CSR

CERTIFIED AMENDED REPORT  
 OF  
 REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

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

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

Registrant's telephone number, including area code: (212) 486-1445  
 Date of fiscal year end: December 31  
 Date of reporting period: January 1, 2003 - June 30, 2003

ITEM 1: REPORTS TO SHAREHOLDERS

ROYCE FOCUS TRUST, INC.

SCHEDULE OF INVESTMENTS JUNE 30, 2003 (UNAUDITED)

COMMON STOCKS - 75.3%

|                                | SHARES<br>----- | VALUE<br>-----              |
|--------------------------------|-----------------|-----------------------------|
| CONSUMER PRODUCTS - 6.2%       |                 |                             |
| Sports and Recreation - 3.6%   |                 |                             |
| Callaway Golf                  | 100,000         | \$ 1,322,000                |
| +WINNEBAGO INDUSTRIES (c)      | 50,000          | 1,895,000                   |
|                                |                 | -----<br>3,217,000<br>----- |
| Other Consumer Products - 2.6% |                 |                             |
| Oakley (a)                     | 75,000          | 882,750                     |
| +YANKEE CANDLE COMPANY (a)     | 60,000          | 1,393,200                   |
|                                |                 | -----<br>2,275,950<br>----- |
| TOTAL (Cost \$4,305,372)       |                 | -----<br>5,492,950<br>===== |

|                           |         |           |
|---------------------------|---------|-----------|
| CONSUMER SERVICES - 5.2%  |         |           |
| Direct Marketing - 2.4%   |         |           |
| NU SKIN ENTERPRISES CL. A | 200,000 | 2,090,000 |
|                           |         | -----     |
| Retail Stores - 2.8%      |         |           |
| Big Lots (a)              | 89,400  | 1,344,576 |

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

|  |         |           |
|--|---------|-----------|
| Charming Shoppes (a,c)                 | 230,000 | 1,143,100 |
|  |         | -----     |
|  |         | 2,487,676 |
|  |         | -----     |
| TOTAL (Cost \$3,614,159)               |         | 4,577,676 |
|  |         | =====     |
| FINANCIAL INTERMEDIARIES - 9.4%        |         |           |
| Insurance - 5.1%                       |         |           |
| ProAssurance Corporation (a)           | 47,155  | 1,272,713 |
| WHITE MOUNTAINS INSURANCE GROUP (c)    | 4,000   | 1,580,000 |
| ZENITH NATIONAL INSURANCE              | 59,000  | 1,681,500 |
|  |         | -----     |
|  |         | 4,534,213 |
|  |         | -----     |
| Securities Brokers - 1.5%              |         |           |
| E*TRADE GROUP (a)                      | 150,000 | 1,275,000 |
|  |         | -----     |
| Other Financial Intermediaries - 2.8%  |         |           |
| +TSX GROUP                             | 120,000 | 2,434,077 |
|  |         | -----     |
| TOTAL (Cost \$4,622,704)               |         | 8,243,290 |
|  |         | =====     |
| FINANCIAL SERVICES - 1.7%              |         |           |
| Information and Processing - 1.1%      |         |           |
| +eFunds Corporation (a)                | 85,000  | 980,050   |
|  |         | -----     |
| Investment Management - 0.6%           |         |           |
| U.S. Global Investors Cl. A (a,c)      | 295,605 | 546,869   |
|  |         | -----     |
| TOTAL (Cost \$1,566,006)               |         | 1,526,919 |
|  |         | =====     |
| HEALTH - 10.5%                         |         |           |
| Drugs and Biotech - 8.9%               |         |           |
| Antigenics (a,c)                       | 80,000  | 921,600   |
| +Durect Corporation (a,c)              | 220,000 | 530,200   |
| Emisphere Technologies (a)             | 200,000 | 720,000   |
| ENDO PHARMACEUTICALS HOLDINGS (a)      | 100,000 | 1,692,000 |
| Lexicon Genetics (a)                   | 200,000 | 1,342,000 |
| Perrigo Company                        | 87,300  | 1,365,372 |
| VIVUS (a,c)                            | 250,000 | 1,285,000 |
|  |         | -----     |
|  |         | 7,856,172 |
|  |         | -----     |
| Personal Care - 1.6%                   |         |           |
| OCULAR SCIENCES (a)                    | 70,000  | 1,389,500 |
|  |         | -----     |
| TOTAL (Cost \$7,522,624)               |         | 9,245,672 |
|  |         | =====     |
| INDUSTRIAL PRODUCTS - 9.1%             |         |           |
| Building Systems and Components - 2.9% |         |           |
| SIMPSON MANUFACTURING (a)              | 70,000  | 2,562,000 |
|  |         | -----     |
| Construction Materials - 2.7%          |         |           |
| FLORIDA ROCK INDUSTRIES                | 58,350  | 2,408,688 |

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

|                                       |         |            |
|---------------------------------------|---------|------------|
| -----                                 |         |            |
| Machinery - 3.5%                      |         |            |
| LINCOLN ELECTRIC HOLDINGS             | 99,800  | 2,036,918  |
| Woodward Governor                     | 24,400  | 1,049,200  |
|                                       |         | -----      |
|                                       |         | 3,086,118  |
|                                       |         | -----      |
| TOTAL (Cost \$4,617,941)              |         | 8,056,806  |
|                                       |         | =====      |
| INDUSTRIAL SERVICES - 7.2%            |         |            |
| Commercial Services - 5.3%            |         |            |
| Carlisle Holdings (a)                 | 400,000 | 1,320,000  |
| Cornell Companies (a)                 | 75,000  | 1,135,500  |
| Covance (a)                           | 50,000  | 905,000    |
| +West Corporation (a)                 | 50,000  | 1,332,500  |
|                                       |         | -----      |
|                                       |         | 4,693,000  |
|                                       |         | -----      |
| Engineering and Construction - 1.9%   |         |            |
| DYCOM INDUSTRIES (a)                  | 100,000 | 1,630,000  |
|                                       |         | -----      |
| TOTAL (Cost \$3,871,542)              |         | 6,323,000  |
|                                       |         | =====      |
| NATURAL RESOURCES - 12.2%             |         |            |
| Energy Services - 2.7%                |         |            |
| +Ensign Resource Service Group        | 53,000  | 789,674    |
| INPUT/OUTPUT (a)                      | 300,000 | 1,614,000  |
|                                       |         | -----      |
|                                       |         | 2,403,674  |
|                                       |         | -----      |
| Oil and Gas - 1.6%                    |         |            |
| TOM BROWN (a)                         | 50,000  | 1,389,500  |
|                                       |         | -----      |
| Precious Metals and Mining - 7.9%     |         |            |
| AngloGold ADR b                       | 25,000  | 797,500    |
| +APEX SILVER MINES (a)                | 100,000 | 1,475,000  |
| Glamis Gold (a)                       | 125,000 | 1,433,750  |
| GOLDCORP                              | 180,000 | 2,160,000  |
| +Meridian Gold (a)                    | 99,800  | 1,146,702  |
|                                       |         | -----      |
|                                       |         | 7,012,952  |
|                                       |         | -----      |
| TOTAL (Cost \$8,749,421)              |         | 10,806,126 |
|                                       |         | =====      |
| TECHNOLOGY - 13.8%                    |         |            |
| Components and Systems - 1.6%         |         |            |
| REMEC (a)                             | 200,000 | 1,392,000  |
|                                       |         | -----      |
| Distribution - 1.2%                   |         |            |
| Richardson Electronics                | 129,000 | 1,044,900  |
|                                       |         | -----      |
| Internet Software and Services - 1.6% |         |            |
| +Overstock.com (a,c)                  | 100,000 | 1,451,000  |

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

|  |         |           |
|--|---------|-----------|
| -----                                    |         |           |
| IT Services - 3.1%                       |         |           |
| PEROT SYSTEMS CL. A (a)                  | 140,500 | 1,596,080 |
| Syntel (a)                               | 70,000  | 1,101,100 |
|  |         | -----     |
|  |         | 2,697,180 |
|  |         | -----     |
| Semiconductors and Equipment - 1.9%      |         |           |
| Exar Corporation (a)                     | 50,000  | 791,500   |
| +ParthusCeva (a,c)                       | 109,600 | 893,240   |
|  |         | -----     |
|  |         | 1,684,740 |
|  |         | -----     |
| Software - 1.6%                          |         |           |
| Lightspan (a)                            | 750,000 | 508,500   |
| Transaction Systems Architects Cl. A (a) | 100,000 | 896,000   |
|  |         | -----     |
|  |         | 1,404,500 |
|  |         | -----     |

42 | THE ROYCE FUNDS SEMIANNUAL REPORT 2003

ROYCE FOCUS TRUST, INC.

-----

SCHEDULE OF INVESTMENTS JUNE 30, 2003 (UNAUDITED)

-----

|                            | SHARES      | VALUE        |
|----------------------------|-------------|--------------|
|                            | -----       | -----        |
| TECHNOLOGY (CONTINUED)     |             |              |
| Telecommunication - 2.8%   |             |              |
| Anaren (a,c)               | 140,000     | \$ 1,311,800 |
| +ViaSat (a,c)              | 83,700      | 1,200,258    |
|                            |             | -----        |
|                            |             | 2,512,058    |
|                            |             | -----        |
| TOTAL (Cost \$10,466,402)  |             | 12,186,378   |
|                            |             | =====        |
| TOTAL COMMON STOCKS        |             |              |
| (Cost \$49,336,171)        |             | 66,458,817   |
|                            |             | =====        |
|                            | PRINCIPAL   |              |
|                            | AMOUNT      |              |
|                            | -----       |              |
| CORPORATE BONDS - 3.3%     |             |              |
| E*TRADE GROUP 6.00%        |             |              |
| Conv. Sub. Note due 2/1/07 | \$3,000,000 | 2,940,000    |
|                            |             | -----        |

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

|   |                     |               |
|---|---------------------|---------------|
| TOTAL CORPORATE BONDS<br>(Cost \$2,226,761)   |                     | 2,940,000     |
| GOVERNMENT BONDS - 5.7%   |                     |               |
| NEW ZEALAND 6.50%, DUE 2/15/06  | 8,250,000           | 5,025,385     |
|   |                     | -----         |
| TOTAL GOVERNMENT BONDS<br>(Cost \$4,910,697)  |                     | 5,025,385     |
|   |                     | =====         |
|   | PRINCIPAL<br>AMOUNT |               |
|   | -----               |               |
| U.S. TREASURY OBLIGATIONS - 6.1%  |                     |               |
| U.S. Treasury Notes   |                     |               |
| 7.25%, due 8/15/04  | 5,000,000           | \$5,344,725   |
|   |                     | -----         |
| TOTAL U.S. TREASURY OBLIGATIONS<br>(Cost \$5,033,324)   |                     | 5,344,725     |
|   |                     | =====         |
| REPURCHASE AGREEMENT - 9.6%   |                     |               |
| State Street Bank & Trust Company,<br>0.30% dated 6/30/03, due 7/1/03,<br>maturity value \$8,442,070<br>(collateralized by U.S. Treasury Bonds,<br>6.375% due 8/15/27, valued at \$8,613,909)<br>(Cost \$8,442,000) |                     | 8,442,000     |
|   |                     | =====         |
| TOTAL INVESTMENTS - 100.0%  |                     |               |
| (Cost \$69,948,953)   |                     | 88,210,927    |
| CASH AND OTHER ASSETS   |                     |               |
| LESS LIABILITIES  |                     | 519,568       |
| PREFERRED STOCK   |                     | (20,000,000)  |
|   |                     | -----         |
| NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS  |                     | \$ 68,730,495 |
|   |                     | =====         |

- 
- (a) Non-income producing.
  - (b) American Depository Receipt.
  - (c) A portion of these securities were on loan at June 30, 2003. Total market value of loaned securities at June 30, 2003 was \$3,305,289.
- + New additions in 2003.  
BOLD INDICATES THE FUND'S LARGEST 20 EQUITY HOLDINGS IN TERMS OF JUNE 30, 2003 MARKET VALUE.

INCOME TAX INFORMATION: The cost of total investments for Federal income tax purposes was \$70,316,034. At June 30, 2003, net unrealized appreciation for all securities was \$17,894,893, consisting of aggregate gross unrealized appreciation of \$19,366,001 and aggregate gross unrealized depreciation of \$1,471,108. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and amortization of discount for book and tax purposes.

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

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

THE ROYCE FUNDS SEMIANNUAL REPORT 2003 | 43

ROYCE FOCUS TRUST, INC.

STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2003 (UNAUDITED)

ASSETS:

|   |              |
|---|--------------|
| Investments at value (identified cost \$61,506,953) | \$79,768,927 |
| Repurchase agreement (at cost and value)            | 8,442,000    |
| Cash  | 517          |
| Collateral from brokers on securities loaned        | 3,403,611    |
| Receivable for investments sold                     | 284,594      |
| Receivable for dividends and interest               | 370,313      |
| Prepaid expenses                                    | 11,545       |

Total Assets 92,281,507

LIABILITIES:

|  |           |
|--|-----------|
| Payable for collateral on securities loaned      | 3,403,611 |
| Payable for investment advisory fee              | 56,720    |
| Preferred dividends accrued but not yet declared | 33,112    |
| Accrued expenses                                 | 57,569    |

Total Liabilities 3,551,012

PREFERRED STOCK:

|   |            |
|---|------------|
| 7.45% Cumulative Preferred Stock - \$0.001 par value,<br>\$25 liquidation value per share; 800,000 shares outstanding | 20,000,000 |
|---|------------|

Total Preferred Stock 20,000,000

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS \$68,730,495

ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:

|  |            |
|--|------------|
| Par value of Common Stock - \$0.001 per share; 9,241,025<br>shares outstanding (100,000,000 shares authorized) | \$ 9,241   |
| Additional paid-in capital   | 45,713,027 |
| Undistributed net investment income  | 165,852    |
| Accumulated net realized gain on investments   | 5,356,492  |
| Net unrealized appreciation on investments   | 18,263,995 |
| Quarterly and accrued distributions  | (778,112)  |

Net Assets applicable to Common Stockholders  
(net asset value per share - \$7.44) \$68,730,495

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

44 | THE ROYCE FUNDS SEMIANNUAL REPORT 2003

ROYCE FOCUS TRUST, INC.

STATEMENT OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED)

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

INVESTMENT INCOME:

|  |  |              |
|--|--|--------------|
| Income:  |  |              |
| Interest   |  | \$ 401,058   |
| Dividends  |  | 197,770      |
| -----  |  |              |
| Total income   |  | 598,828      |
| -----  |  |              |
| Expenses:  |  |              |
| Investment advisory fees   |  | 392,077      |
| Custody and transfer agent fees  |  | 38,899       |
| Stockholder reports  |  | 26,154       |
| Professional fees  |  | 25,830       |
| Directors' fees  |  | 15,771       |
| Administrative and office facilities expenses  |  | 6,178        |
| Other expenses   |  | 27,244       |
| -----  |  |              |
| Total expenses   |  | 532,153      |
| Fees waived by investment adviser  |  | (99,177)     |
| -----  |  |              |
| Net expenses   |  | 432,976      |
| -----  |  |              |
| Net investment income  |  | 165,852      |
| -----  |  |              |
| REALIZED AND UNREALIZED GAIN ON INVESTMENTS:   |  |              |
| Net realized gain on investments   |  | 4,290,829    |
| Net change in unrealized appreciation on investments   |  | 7,062,848    |
| -----  |  |              |
| Net realized and unrealized gain on investments  |  | 11,353,677   |
| -----  |  |              |
| NET INCREASE IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS                                      |  | 11,519,529   |
| -----  |  |              |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS  |  | (745,000)    |
| -----  |  |              |
| NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS<br>RESULTING FROM INVESTMENT OPERATIONS |  | \$10,774,529 |
| =====  |  |              |

STATEMENTS OF CHANGES IN NET ASSETS

|   | Six months ended<br>June 30, 2003<br>(unaudited) | Year ended<br>December 31,<br>2002 |
|---|--|------------------------------------|
|   | -----  | -----                              |
| INVESTMENT OPERATIONS:  |  |                                    |
| Net investment income (loss)  | \$ 165,852                                       | \$ (103,396)                       |
| Net realized gain on investments  | 4,290,829  | 1,317,847                          |
| Net change in unrealized appreciation<br>on investments                       | 7,062,848  | (8,047,125)                        |
| -----   |  |                                    |
| Net increase (decrease) in net assets<br>resulting from investment operations | 11,519,529                                       | (6,832,674)                        |
| -----   |  |                                    |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:                                      |  |                                    |
| Net investment income   | -  | (272,620)                          |
| Net realized gain on investments  | -  | (1,217,380)                        |
| Quarterly distributions*  | (745,000)  | -                                  |
| -----   |  |                                    |

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

|  |              |              |
|--|--------------|--------------|
| Total distributions to Preferred Stockholders  | (745,000)    | (1,490,000)  |
| -----  |              |              |
| NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS | 10,774,529   | (8,322,674)  |
| -----  |              |              |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS:  |              |              |
| Net investment income  | -            | (150,865)    |
| Net realized gain on investments   | -            | (673,654)    |
| -----  |              |              |
| Total distributions to Common Stockholders   | -            | (824,519)    |
| -----  |              |              |
| CAPITAL STOCK TRANSACTIONS:  |              |              |
| Reinvestment of distributions to Common Stockholders   | -            | 449,516      |
| -----  |              |              |
| NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS                                      | 10,774,529   | (8,697,677)  |
| -----  |              |              |
| NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:  |              |              |
| Beginning of period  | 57,955,966   | 66,653,643   |
| -----  |              |              |
| End of period (including undistributed net investment income of \$165,852 in 2003)                           | \$68,730,495 | \$57,955,966 |
| =====  |              |              |

\*To be allocated to net investment income and capital gains at year-end.

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

THE ROYCE FUNDS SEMIANNUAL REPORT 2003 | 45

ROYCE FOCUS TRUST, INC.

FINANCIAL HIGHLIGHTS

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

|  | Six months ended<br>June 30, 2003<br>(unaudited) | Years ended December 31, |        |        |        |        |
|--|--|--------------------------|--------|--------|--------|--------|
|  |  | 2002                     | 2001   | 2000   | 1999   | 1998   |
| NET ASSET VALUE, BEGINNING OF PERIOD                   | \$6.27   | \$7.28                   | \$6.77 | \$5.94 | \$5.63 | \$6.27 |
| -----  |  |                          |        |        |        |        |
| INVESTMENT OPERATIONS:                                 |  |                          |        |        |        |        |
| Net investment income (loss)                           | 0.02   | (0.01)                   | 0.05   | 0.12   | 0.08   | 0.02   |
| Net realized and unrealized gain (loss) on investments | 1.23   | (0.74)                   | 0.79   | 1.26   | 0.58   | 1.23   |
| -----  |  |                          |        |        |        |        |
| Total investment operations                            | 1.25   | (0.75)                   | 0.84   | 1.38   | 0.66   | 1.25   |
| -----  |  |                          |        |        |        |        |
| DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:               |  |                          |        |        |        |        |



Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

|  |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|
| Net investment income  | -        | (0.03)   | (0.04)   | (0.03)   | (0.01)   | (0.01)   |
| Net realized gain on investments   | -        | (0.13)   | (0.13)   | (0.14)   | (0.17)   | (0.17)   |
| Quarterly distributions*   | (0.08)   | -        | -        | -        | -        | -        |
| -----  |          |          |          |          |          |          |
| Total distributions to Preferred Stockholders  | (0.08)   | (0.16)   | (0.17)   | (0.17)   | (0.18)   | (0.18)   |
| -----  |          |          |          |          |          |          |
| NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS | 1.17     | (0.91)   | 0.67     | 1.21     | 0.48     | 0.48     |
| -----  |          |          |          |          |          |          |
| DISTRIBUTIONS TO COMMON STOCKHOLDERS:  |          |          |          |          |          |          |
| Net investment income  | -        | (0.02)   | (0.03)   | (0.06)   | (0.01)   | (0.01)   |
| Net realized gain on investments   | -        | (0.07)   | (0.11)   | (0.28)   | (0.14)   | (0.14)   |
| -----  |          |          |          |          |          |          |
| Total distributions to Common Stockholders   | -        | (0.09)   | (0.14)   | (0.34)   | (0.15)   | (0.15)   |
| -----  |          |          |          |          |          |          |
| CAPITAL STOCK TRANSACTIONS:  |          |          |          |          |          |          |
| Effect of reinvestment of distributions by Common Stockholders   | -        | (0.01)   | (0.02)   | (0.04)   | (0.02)   | (0.02)   |
| -----  |          |          |          |          |          |          |
| Total capital stock transactions   | -        | (0.01)   | (0.02)   | (0.04)   | (0.02)   | (0.02)   |
| -----  |          |          |          |          |          |          |
| NET ASSET VALUE, END OF PERIOD   | \$7.44   | \$6.27   | \$7.28   | \$6.77   | \$5.94   | \$5.94   |
| -----  |          |          |          |          |          |          |
| MARKET VALUE, END OF PERIOD  | \$6.77   | \$5.56   | \$6.65   | \$5.69   | \$4.72   | \$4.72   |
| -----  |          |          |          |          |          |          |
| TOTAL RETURN (a):  |          |          |          |          |          |          |
| Market Value   | 21.8%*** | (15.1)%  | 19.7%    | 27.9%    | (0.3)%   | (0.3)%   |
| Net Asset Value  | 18.7%*** | (12.5)%  | 10.0%    | 20.9%    | 8.7%     | 8.7%     |
| RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:  |          |          |          |          |          |          |
| Total expenses (b,c)   | 1.48%**  | 1.88%    | 1.47%    | 1.44%    | 1.51%    | 1.51%    |
| Management fee expense   | 1.00%**  | 1.13%    | 1.11%    | 1.00%    | 1.00%    | 1.00%    |
| Other operating expenses   | 0.48%**  | 0.75%    | 0.36%    | 0.44%    | 0.51%    | 0.51%    |
| Net investment income (loss)   | 0.57%**  | (0.16)%  | 0.70%    | 1.93%    | 1.47%    | 1.47%    |
| SUPPLEMENTAL DATA:   |          |          |          |          |          |          |
| Net Assets Applicable to Common Stockholders, End of Period (in thousands)                                   | \$68,730 | \$57,956 | \$66,654 | \$60,933 | \$51,003 | \$47,000 |
| Liquidation Value of Preferred Stock, End of Period (in thousands)   | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 |
| Portfolio Turnover Rate  | 34%      | 61%      | 54%      | 69%      | 60%      | 60%      |
| PREFERRED STOCK:   |          |          |          |          |          |          |
| Total shares outstanding   | 800,000  | 800,000  | 800,000  | 800,000  | 800,000  | 800,000  |
| Asset coverage per share   | \$110.91 | \$97.44  | \$108.32 | \$101.17 | \$88.75  | \$84.00  |
| Liquidation preference per share   | \$25.00  | \$25.00  | \$25.00  | \$25.00  | \$25.00  | \$25.00  |
| Average market value per share (d)   | \$25.62  | \$25.64  | \$25.09  | \$22.23  | \$24.00  | \$25.00  |

(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 1.10%, 1.43%, 1.11%, 1.05%, 1.06% and 1.16%

## Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.

- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.82%, 2.06%, 1.69%, 1.81%, 1.93% and 1.88% for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.
- (d) The average of month-end market values during the period.

\* To be allocated to net investment income and capital gains at year-end.

\*\* Annualized.

\*\*\* Not annualized.

46 | THE ROYCE FUNDS SEMIANNUAL REPORT 2003

ROYCE FOCUS TRUST, INC.

---

### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

---

#### 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 listed on an exchange or the Nasdaq National Market System (NMS) are valued at their last reported sales price or official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid and asked prices for Nasdaq NMS securities. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

#### INVESTMENT TRANSACTIONS AND RELATED INVESTMENT INCOME:

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

#### EXPENSES:

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has

## Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors' Fees otherwise payable. The deferred fees are invested in certain Royce Funds until distributed in accordance with the agreement.

### TAXES:

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

### DISTRIBUTIONS:

Distributions to Common Stockholders are recorded on the ex-dividend date and paid annually in December. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

### REPURCHASE AGREEMENTS:

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

### SECURITIES LENDING:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. This income is included in interest income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily, typically, and specifically at June 30, 2003, in a registered money market fund, by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

THE ROYCE FUNDS SEMIANNUAL REPORT 2003 | 47

ROYCE FOCUS TRUST, INC.

---

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

---

### CAPITAL STOCK:

The Fund currently has 800,000 shares of 7.45% Cumulative Preferred Stock outstanding. The stock has a liquidation preference of \$25.00 per share.

Under the Investment Company Act of 1940, the Fund is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines established by Moody's,

## Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

the Fund is required to maintain a certain discounted asset coverage. The Fund has met these requirements since issuing the Preferred Stock.

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.

The Fund issued 79,701 shares of Common Stock as reinvestment of distributions by Common Stockholders for the year ended December 31, 2002.

### 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 the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the Preferred Stock's dividend rate. For the six months ended June 30, 2003, the Fund accrued and paid Royce advisory fees totaling \$292,900, which is net of \$99,177 voluntarily waived by Royce.

### PURCHASES AND SALES OF INVESTMENT SECURITIES:

For the six months ended June 30, 2003, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$23,629,502 and \$23,175,577, respectively.

### PREFERRED STOCK PRESENTATION:

To reflect recent accounting guidance from the Securities and Exchange Commission, the Statement of Assets and Liabilities has been modified to present the liquidation value of Preferred Stock below Liabilities and above Net Assets Applicable to Common Stockholders. As revised, Preferred Stock is no longer included as a component of net assets of the Fund. Likewise, the Statement of Operations, the Statement of Changes in Net Assets, and the Financial Highlights have been revised to show distributions to Preferred Stockholders as a component of the net increase/decrease in net assets applicable to Common Stockholders resulting from investment operations. These modifications do not change the amount of net assets applicable to Common Stockholders, the net asset value per share of Common Stock, or the total return per share of Common Stock.

48 | THE ROYCE FUNDS SEMIANNUAL REPORT 2003

ITEM 2: CODE(S) OF ETHICS - NOT APPLICABLE TO THIS AMENDED SEMI-ANNUAL REPORT.

ITEM 3: AUDIT COMMITTEE FINANCIAL EXPERT - NOT APPLICABLE TO THIS AMENDED SEMI-ANNUAL REPORT.

ITEM 4: PRINCIPAL ACCOUNTANT FEES AND SERVICES - NOT APPLICABLE TO THIS AMENDED SEMI-ANNUAL REPORT.

ITEM 5: AUDIT COMMITTEE OF LISTED REGISTRANTS. NOT APPLICABLE TO THIS AMENDED SEMI-ANNUAL REPORT.

ITEM 6: RESERVED.

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

In June 2003, in response to rules adopted by the Commission, Royce

## Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

adopted written proxy voting policies and procedures (the "Proxy Voting Procedures") for itself, the Fund, and all The Royce Funds and clients accounts for which Royce is responsible for voting proxies. The Board of Directors of the Fund has delegated all proxy voting decisions to Royce. In voting proxies, Royce is guided by general fiduciary principles. Royce's goal is to act prudently, solely in the best interest of the beneficial owners of the accounts it manages. Royce attempts to consider all factors of its vote that could affect the value of the investment and will vote proxies in the manner it believes will be consistent with efforts to enhance and/or protect stockholder value.

Royce personnel are responsible for monitoring receipt of all proxies and ensuring that proxies are received for all securities for which Royce has proxy voting responsibility. Royce divides proxies into "regularly recurring" and "non-regularly recurring" matters. Examples of regularly recurring matters include non-contested elections of directors and non-contested approvals of independent auditors. Regularly recurring matters are usually voted as recommended by the issuer's board of directors or management. Non-regularly recurring matters are brought to the attention of portfolio manager(s) for the applicable account(s) and, after giving consideration to advisories provided by an independent third party research firm, the portfolio manager(s) directs that such matters be voted in a way that he believes should better protect or enhance the value of the investment. If the portfolio manager determines that information relating to a proxy requires additional analysis, is missing, or is incomplete, the portfolio manager will give the proxy to an analyst or another portfolio manager for review and analysis. Under certain circumstances, Royce may vote against a proposal from the issuer's board of directors or management. Royce's portfolio managers decide these issues on a case-by-case basis. A Royce portfolio manager may, on occasion, decide to abstain from voting a proxy or a specific proxy item when such person concludes that the potential benefit of voting is outweighed by the cost or when it is not in the client's best interest to vote.

In furtherance of Royce's goal to vote proxies in the best interests of its clients, Royce follows specific procedures outlined in the Proxy Voting Procedures to identify, assess and address material conflicts that may arise between Royce's interests and those of its clients before voting proxies on behalf of such clients. In the event such a material conflict of interest is identified, the proxy will be voted by Royce in accordance with the recommendation given by an independent third party research firm.

ITEM 8: RESERVED.

ITEM 9: 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 amended report.

(b) Internal Controls. There were no significant changes in Registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 10: EXHIBITS ATTACHED HERETO. (ATTACH CERTIFICATIONS AS EXHIBITS)

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.

Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSRS/A

ROYCE FOCUS TRUST, INC.

BY: /s/ Charles M. Royce  
CHARLES M. ROYCE  
PRESIDENT

Date: October 8, 2003

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

ROYCE FOCUS TRUST, INC.

BY: /s/ Charles M. Royce  
CHARLES M. ROYCE  
PRESIDENT

Date: October 8, 2003

ROYCE FOCUS TRUST, INC.

BY: /s/ John D. Diederich  
JOHN D. DIEDERICH  
CHIEF FINANCIAL OFFICER

Date: October 8, 2003