

WINMILL & CO.

INCORPORATED

INVESTMENTS SINCE 1974

2005

ANNUAL

REPORT

# WINMILL & CO.

INCORPORATED

INVESTMENTS SINCE 1974

11 HANOVER SQUARE

NEW YORK, NEW YORK 10005

TEL. 1-212-785-0900 FAX 1-212-363-1101

May 30, 2006

Fellow Shareholders:

We are pleased to report that the Company's net income was \$2,157,381 in 2005 versus \$56,210 in 2004, or \$1.40 per share fully diluted versus \$.04 per share fully diluted in the prior period. In 2005, net increases in unrealized appreciation of the shares owned by the Company of its publicly held affiliates, namely Bexil Corporation and Tuxis Corporation, contributed the bulk of 2005's earnings, unlike 2004 when gains in management, distribution and other fees and only modest expense increases contributed the most to the Company's positive overall 2004 results. It is also a pleasure to report that the Company's financial condition continues to be very strong, with shareholders' equity of approximately \$10.4 million and no long term debt.

## **Bexil Corporation**

Bexil Corporation (Amex: BXL), approximately 25% owned by the Company, announced on April 28, 2006 that it had consummated the sale of its 50% interest in privately held York Insurance Services Group, Inc. for approximately \$39 million in cash. Since its York acquisition in 2002 for \$3 million plus assumption of debt, Bexil eliminated the assumed debt and received over \$12 million in dividends as York's revenue grew from \$25 million to \$75 million and net income grew from \$0.7 million to \$7.2 million from 2001 to 2005.

More recently, Bexil announced its business acquisition parameters:

- 1) A proven track record with demonstrated earning power.
- 2) Revenues of between \$10 million and \$50 million.
- 3) A seasoned business with solid customer relations.
- 4) Good return (at least 15%) on equity, little or no debt.
- 5) Solid management must remain. Audited financials required.
- 6) Particularly interested in a "spin-off" from a larger company.

Bexil has indicated that it will seek to acquire and/or develop one or more businesses. While not interested in acquiring start-ups, turnarounds, or high tech, Bexil stated it will sign a confidentiality agreement and will protect broker's sell agreements and that if the seller quotes a price, it will respond promptly. For more information about Bexil, please visit [www.bexil.com](http://www.bexil.com).

## **Tuxis Corporation**

Tuxis Corporation (Amex: TUX), approximately 24% owned by the Company, reported that an order requested by Tuxis declaring that it had ceased to be an investment company was issued by the Securities and Exchange Commission, effective October 7, 2005. Tuxis will continue as a publicly-held operating company listed on the American Stock Exchange and subject to the reporting and other requirements of the Securities Exchange Act of 1934.

Tuxis is engaged in the acquisition, development, management and sale of commercial, multi-family, residential and undeveloped land real estate properties located primarily in the Northeastern United States. Tuxis' principal real estate holdings are currently in the Millbrook and Clinton Corners areas of northern Dutchess County in New York State. Its two most significant holdings are, first, a 215.42 acre parcel of undeveloped land located in the Towns of Washington (Millbrook) and Clinton (Clinton Corners) and, second, an 18,598 square foot commercial property in Millbrook, known as "Millbrook Commons."

The overall strategy stated by Tuxis is to enhance the value of its Dutchess County, New York properties by securing and maintaining development entitlements and developing and building real estate projects on these properties for rent, sale or investment, thereby increasing the potential return from its core assets. Tuxis has noted that it continues to investigate and pursue opportunities for new projects that would require capital investment and offer the possibility of attractive returns and limited risk. In 2005, Tuxis permitted and initiated development of its Millbrook Commons project. For more information about Tuxis, please visit [www.tuxis.com](http://www.tuxis.com).

### **Investment Management**

Assets under management were up slightly in 2005 to approximately \$142 million at year end, as compared to approximately \$133 million at year end 2004. Currently, asset under management stand at about \$190 million primarily due to Midas Fund appreciation and net sales.

Gold was up 19.9% for the year and Midas Fund's 2005 gain was 39.7%. Meanwhile, money market interest rates were up dramatically, benefiting Midas Dollar Reserves' shareholders by keying off the eight increases of the Federal funds target interest rate made by the Federal Reserve's Open Market Committee to counter current and potential inflationary pressures. During 2005 Midas Special Fund had a small negative total return, after a gratifying 2004 total return of 10.64%. While our investment focus continues to be on quality companies, operationally we continue to look for ways to improve shareholder services while reducing expense ratios to enhance the attractiveness of the Funds to individual and institutional investors. If you have any questions, or would like further information on any of the Midas Funds, simply visit [www.midasfunds.com](http://www.midasfunds.com), or call toll-free 1-800-400-MIDAS (6432) and an Investor Service Representative will be glad to assist you, as always, without any obligation on your part.

Foxy Corp. (Amex: FXX) is a non-diversified closed-end fund with an attractive total return investment approach. The Fund uses a flexible strategy in the selection of securities, and is not limited by the issuer's location, size, or market capitalization. In early 2006, Foxy announced the settlement of certain stockholder litigation and the purchase of 397,300 shares by a wholly-owned subsidiary of the Company for a total of \$893,925, or \$2.24 per share. The Company now beneficially owns approximately 24% of Foxy Corp.'s outstanding shares with a current net asset value per share of \$2.64.

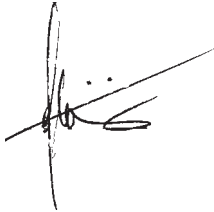
The strategy of Global Income Fund, Inc. (Amex: GIF), a non-diversified closed-end fund, is to invest its assets in primarily investment grade fixed income securities denominated in major world currencies and issued by organizations across many countries. At the 2005 year end, the Fund held securities of nations, corporations, and other organizations based in the United States, Netherlands, United Kingdom, Australia, France, Canada, Germany, Austria, Sweden, Japan, Cyprus, Hungary, and Korea. Approximately 67% is invested in non-U.S. dollar denominated securities, with about 47% in Eurodollars, 10% in British pounds, and 10% in Australian dollars, with U.S. dollar denominated investments making up the balance. All but 2% of the Fund's portfolio investments are considered investment grade by actual or deemed rating, or in cash or cash equivalents. Although the 2005 total net asset value return was a negative 6.95% due in large part to U.S. dollar strength, we are committed to our global investment grade allocation process, which we believe provides a sound, quality, fixed income strategy for investors over the long term.

### Outlook for 2006; Share Buyback

We believe the Company's overall financial position is strong and that its operations have attractive potential. We are pleased by the number of dealers quoting the Company's shares in the Pink Sheets. Pink Sheets LLC is an electronic network where participating broker-dealers make markets, and enter orders to buy and sell shares, and which provides stock and bond price quotes, financial news and information about securities traded at its web site [www.pinksheets.com](http://www.pinksheets.com). Current market makers in the Company's Class A common stock include Biltmore International Corp., Carr Securities Corp., Domestic Securities, Inc., Hudson Securities, Inc., Hill Thompson Magid & Co., Knight Equities Markets L.P., Pershing Trading Company, Robotti & Co., LLC, TD Waterhouse Capital Markets Inc., and UBS Securities, LLC. In this connection, the Board of Directors of the Company has authorized a program to buy back up to 500,000 of its shares in the open market and in privately negotiated transactions over the next five years, which may provide additional market liquidity as it returns excess cash to stockholders.

Management shares your enthusiasm for the Company's outlook and at year end owned over 30% of its outstanding shares. We appreciate your confidence and support, as well as that of our employees, whose hard work, positive attitude, and teamwork is so essential to our ongoing success.

Sincerely,



Bassett S. Winmill  
Chairman



Thomas B. Winmill  
President



- **Midas Fund** Invests primarily in companies involved with processing, fabricating, distributing or otherwise dealing in gold, silver, platinum or other natural resources.
- **Midas Special Fund** Invests aggressively for capital appreciation.
- **Midas Dollar Reserves** A money market fund investing in U.S. Government securities. Free, unlimited check writing with only a \$250 minimum per check.

The Midas Funds listed above are further described in a combined prospectus that contains more complete information about each Fund, including management fees and other charges, risks, and expenses. Please visit [www.midasfunds.com](http://www.midasfunds.com) or call us at 1-800-400-MIDAS (6432) to obtain a free prospectus. Read it carefully before you invest or send money.

#### **CLOSED-END FUNDS LISTED ON THE AMERICAN STOCK EXCHANGE**

- **Global Income Fund** The primary investment objective of the Fund is to provide for its shareholders a high level of income, with capital appreciation as a secondary objective. The Fund pursues its investment objectives by investing primarily in a global portfolio of investment grade fixed income securities. The Fund's shares trade on the American Stock Exchange under the symbol GIF.
- **Foxy Corp.** The Fund's non-fundamental investment objective is total return which it may seek from growth of capital and from income in any security type and in any industry sector. The Fund's shares trade on the American Stock Exchange under the symbol FXX.

This Annual Report contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and conditions. Forward looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or similar expressions. Such statements are based on the current expectations of management, and inherently involve numerous risks and uncertainties, both known and unknown. These forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in this Annual Report. The forward-looking statements that are contained in this Annual report are made as of May 31, 2006, and, except as may be required by applicable law, the Company does not undertake any obligation to update publicly or revise any of the included forward looking statements, whether as a result of new information, future events, or otherwise. The reader is cautioned not to place undue reliance on forward looking statements.

## CONSOLIDATED BALANCE SHEETS

Assets	December 31,	
	2005	2004
Current assets:		
Cash and cash equivalents	\$ 1,882,168	\$1,683,748
Investments in securities	156,794	408,689
Receivables from affiliates		
Management, distribution, and other fees	203,073	181,188
Other	38,240	130,270
Prepaid expenses	60,852	58,368
Refundable income taxes	4,662	20,815
Total current assets	2,345,789	2,483,078
Investments in securities, affiliates	10,568,355	5,608,122
Property and equipment, net	53,291	71,348
Intangible assets, net	475,467	527,796
Other assets	399,095	367,230
	11,496,208	6,574,496
Total assets	\$13,841,997	\$9,057,574
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Payable for securities purchased	\$ 897,898	\$ -
Accounts payable and accrued expenses	592,376	432,293
Deferred income taxes	247,964	50,700
Total current liabilities	1,738,238	482,993
Deferred income taxes	1,662,800	308,300
Commitments and contingencies (Note 11)		
Shareholders' equity		
Common Stock, \$.01 par value		
Class A, 10,000,000 shares authorized;		
1,519,867 and 1,509,867 shares issued	15,198	15,098
Class B, 20,000 shares authorized;		
20,000 shares issued and outstanding	200	200
Additional paid-in capital	5,828,764	5,813,864
Other comprehensive income	2,712	415
Retained earnings	4,594,085	2,436,704
Total shareholders' equity	10,440,959	8,266,281
Total liabilities and shareholders' equity	\$13,841,997	\$9,057,574

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2005	2004
<b>Revenues</b>		
Management, distribution and other fees	\$1,467,511	\$1,524,067
Realized gain on investments in trading securities	127,730	251,617
Unrealized gain (loss) on investments in trading securities	3,754,290	(243,408)
Dividends, interest and other	52,864	49,029
	5,402,395	1,581,305
<b>Expenses</b>		
General and administrative	921,443	768,435
Marketing	370,013	410,288
Expense reimbursement	109,144	139,764
Depreciation and amortization	70,386	77,991
Professional	69,011	94,592
	1,539,997	1,491,070
<b>Income before income taxes</b>	3,862,398	90,235
Income taxes	1,705,017	34,025
<b>Net income</b>	\$2,157,381	\$ 56,210
<b>Per share net income</b>		
Basic	\$1.40	\$0.04
Diluted	\$1.40	\$0.04
<b>Average shares outstanding</b>		
Basic	1,539,703	1,499,025
Diluted	1,539,703	1,507,667

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2005 and 2004

	Number of Shares					Dollar Amounts				
	Class A Common	Class B Common	Class A Common	Class B Common	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity		
<b>Balance, December 31, 2003</b>	1,493,367	20,000	\$14,933	\$ 200	\$5,884,414	\$2,380,494	\$ -	\$ 8,280,041		
Net income	-	-	-	-	-	56,210	-	56,210		
Other comprehensive income	-	-	-	-	-	-	415	415		
Unrealized gains on investment securities	-	-	-	-	-	-	-	-		
Comprehensive income	-	-	-	-	-	-	415	56,625		
Common stock issued with exercise of stock option	46,750	-	468	-	69,795	-	-	70,263		
Cancellation of treasury stock	(30,250)	-	(303)	-	(140,345)	-	-	(140,648)		
<b>Balance, December 31, 2004</b>	1,509,867	20,000	15,098	200	5,813,864	2,436,704	415	8,266,281		
Net income	-	-	-	-	-	2,157,381	-	2,157,381		
Other comprehensive income	-	-	-	-	-	-	2,297	2,297		
Unrealized gains on investment securities	-	-	-	-	-	-	-	-		
Comprehensive income	-	-	-	-	-	-	-	2,159,678		
Common stock issued with exercise of stock option	10,000	-	100	-	14,900	-	-	15,000		
<b>Balance, December 31, 2005</b>	1,519,867	20,000	\$15,198	\$ 200	\$5,828,764	\$4,594,085	\$2,712	\$10,440,959		

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Years Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	\$2,157,381	\$ 56,210
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments in trading securities	(3,754,290)	243,408
Realized gains on investments in trading securities	(127,730)	(251,617)
Depreciation and amortization	70,386	77,991
Increase (decrease) in cash value of life insurance	(31,065)	(31,939)
Increase (decrease) in deferred taxes	1,551,764	(100,200)
Proceeds from sale of investments in trading securities	312,401	818,544
Purchase of investments in trading securities	(1,136,423)	(340,034)
Decrease (increase) in receivables from affiliates	70,146	(18,086)
Decrease (increase) in refundable taxes	16,153	(13,445)
Increase in payable for securities purchased	897,898	-
Increase in income taxes payable	73,815	125,000
Increase in accounts payable and accrued expenses	86,268	107,300
(Increase) decrease in other assets	(3,284)	2,899
<b>Net cash provided by operating activities</b>	<b>183,420</b>	<b>676,031</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	-	(30,324)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(30,324)</b>
<b>Cash flows from financing activities:</b>		
Issuance of stock	15,000	70,263
Purchase of treasury stock	-	(140,648)
<b>Net cash provided by (used in) financing activities</b>	<b>15,000</b>	<b>(70,385)</b>
<b>Net increase in cash and cash equivalents</b>	<b>198,420</b>	<b>575,322</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	1,683,748	1,108,426
End of year	<b>\$1,882,168</b>	<b>\$1,683,748</b>
<b>Supplemental disclosure:</b>		
Income taxes paid	\$ 96,545	\$ 35,887

See accompanying notes to consolidated financial statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **December 31, 2005 and 2004**

#### **1. NATURE OF BUSINESS AND ORGANIZATION**

Winmill & Co. Incorporated (the "Company") derives its revenues and net income from providing investment management and shareholder distribution services to sponsored mutual funds and from proprietary securities trading. The Company is a Delaware corporation and its Class A common shares are traded on the Pink Sheets under the symbol WNMLA.

The Company's wholly owned subsidiaries and affiliates are:

##### **Wholly Owned Subsidiaries**

Midas Management Corporation ("MMC") is a registered investment adviser. MMC advises the Midas Funds, a family of open-end mutual funds. The Midas Funds consist of the Midas Fund, Inc., an equity fund investing primarily for capital appreciation and secondarily for income in precious metals companies, Midas Special Fund, Inc., an equity fund investing aggressively for capital appreciation, and Midas Dollar Reserves, Inc. a money market fund investing in securities issued by the U.S. Government and its agencies and instrumentalities.

Investor Service Center, Inc. ("ISC") is a registered broker-dealer. ISC provides shareholder and distribution services to the Midas Funds and engages in proprietary trading.

Hanover Direct Advertising Company, Inc. ("HDAC") provides marketing services to the Midas Funds through an agreement with ISC.

CEF Advisers, Inc. ("CEF") is a registered investment adviser. CEF advises closed-end mutual funds. The CEF funds consist of Global Income Fund, Inc. ("GIF"), a bond fund investing primarily in investment grade debt securities, and Foxby Corp. ("FXX"), an equity fund investing for total return. The funds are listed on the American Stock Exchange under the ticker symbols GIF and FXX, respectively. Approximately 24% of the outstanding securities of FXX are held by ISC.

##### **Affiliates**

Bexil Corporation ("BXL") is a holding company whose primary holding is a fifty percent interest in privately held York Insurance Services Group, Inc. ("York"). In December 2005, BXL agreed to sell its holding in York and the sale was consummated in April 2006. BXL is listed on the American Stock Exchange under the ticker symbol BXL. Certain officers of the Company are also officers of BXL. Approximately 25% of the outstanding securities of BXL are held by ISC.

Tuxis Corporation ("TUX") is a real estate development and services company that acquires and manages properties in Dutchess County, New York. TUX is listed on the American Stock Exchange under the ticker symbol TUX. Certain officers of the Company are also officers of TUX. Approximately 23% of the outstanding securities of TUX are held by ISC.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, which require the use of estimates. Actual results may vary from those estimates. Certain comparative amounts for the prior year have been reclassified to conform to the fiscal year 2005 financial statement presentation.

### Accumulated Other Comprehensive Income

Accumulated other comprehensive income is reported in the consolidated statements of shareholders' equity and includes net income and unrealized gains and losses on investment securities available-for-sale, net of taxes.

### Cash and Cash Equivalents

Investments in money market funds, short-term investments, and other marketable securities maturing in 90 days or less are considered to be cash equivalents. At December 31, 2005 and 2004, the Company held approximately \$504,000 and \$697,000, respectively, in Midas Dollar Reserves, Inc.

### Earnings Per Share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by applying the treasury stock method where the weighted average number of common shares outstanding is adjusted for the incremental shares attributed to potentially dilutive securities including outstanding exercisable options to purchase common stock during the period.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Numerator for basic and diluted earnings per share:		
Net income	<u>\$2,157,381</u>	<u>\$ 56,210</u>
Denominator:		
Denominator for basic earnings per share:		
Weighted-average shares	1,539,703	1,499,025
Effect of dilutive securities:		
Employee stock options	<u>—</u>	<u>8,642</u>
Denominator for diluted earnings per share:		
Adjusted weighted-average shares and assumed conversions	<u>1,539,703</u>	<u>1,507,667</u>
Per share net income:		
Basic	\$1.40	\$0.04
Diluted	\$1.40	\$0.04

Dilutive securities consisting of stock options were excluded if their effect was anti-dilutive. There were options to purchase 305,000 and 0 shares of common stock that were excluded from earnings per share because their effect was anti-dilutive for the years ended December 31, 2005 and 2004, respectively.

### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses and other liabilities approximate fair value because of the short maturity of these items. Investment securities are recorded at market value, which represents the fair value of the securities.

### Income Taxes

The Company's method of accounting for income taxes conforms to the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. The Company and its subsidiaries file consolidated income tax returns.

### **Intangible Assets**

Intangible assets are amortized over their estimated useful lives using the straight-line method. Intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such a test were to indicate that the carrying value of the assets exceeded the undiscounted cash flow expected to result from their use and eventual disposition, an impairment loss would be recognized as the amount by which the carrying value of the assets exceeded their fair value.

### **Investment in Securities**

Investments in securities are accounted for as either trading or available-for-sale. Trading investments are stated at fair value with changes in unrealized gains and losses reported in net income. Trading securities include investments held in affiliates BXL, TUX, FXX, and GIF. Available-for-sale investments are stated at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in shareholders' equity. Realized gains and losses on the sale of investments are included in income in the current period using the specific identification method.

### **Property and Equipment**

Equipment, furniture, and fixtures are recorded at cost. Expenditures for repairs and maintenance are charged to expense when incurred. Depreciation is being provided by the straight-line method over the estimated useful lives of the respective assets from 3 to 10 years.

### **Revenue**

The Company recognizes fees for providing investment management and shareholder servicing and distribution as earned, over the period in which the services are rendered. The fees are determined based on a percentage of assets under management.

### **Recent Accounting Pronouncements**

In December 2004, FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires all share-based payments to employees, including grants of employee stock options to be measured at fair value. In addition, SFAS 123R will cause unrecognized expense (based on the amounts in our pro forma disclosure in Note 9 to the consolidated financial statements) related to options vesting after the date of initial adoption to be recognized as a charge to operations over the remaining vesting period. Under SFAS 123R, we must determine the appropriate fair value model to use for valuing share-based payments, the amortization method for compensation cost, and the transition method to be used at the date of adoption. The transition alternatives include prospective and retroactive adoption methods. Under the retroactive method, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive method would record compensation expense for all unvested stock options beginning with the first period stated. As of January 1, 2006, deferred compensation expense for all unvested stock options was approximately \$133,000. This amount will be amortized as a charge to income over the remaining vesting periods.

### 3. INTANGIBLE ASSETS

Intangible assets consist primarily of the purchase of assets relating to the management of Midas Fund, Inc. in 1995 and Foxby Corp. in 2002. The intangible assets are being amortized over their useful lives of fifteen years. The Company reviewed the intangible assets for impairment and the remaining useful lives to determine whether events or circumstances warrant a revision to the remaining period of amortization. The Company believes there have been no impairment of the intangible assets as of December 31, 2005 and 2004.

Amortizable intangible assets were as follows for the years ended December 31, 2005 and 2004:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Balance, December 31, 2003	\$810,661	\$(228,865)	\$581,796
Amortization	—	(54,000)	(54,000)
Balance, December 31, 2004	810,661	(282,865)	527,796
Amortization	—	(52,329)	(52,329)
Balance, December 31, 2005	<u>\$810,661</u>	<u>\$(335,194)</u>	<u>\$475,467</u>

The annual amortization expense will be approximately \$54,000 per year for each of the next five years.

### 4. 401(k) PLAN

The Company has a 401(k) retirement plan for substantially all of its qualified employees. Company matching expense is based upon a percentage of contributions by eligible employees and are accrued and funded on a current basis. Matching expense for the years ended December 31, 2005 and 2004 was approximately \$34,000 and \$50,300, respectively.

### 5. INVESTMENT IN SECURITIES

Investment securities at December 31, 2005 and 2004 consisted of the following:

2005	<u>Gross Unrealized</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
<b>Current:</b>				
Investment securities, trading:				
Equities	\$ 167,038	\$ 768	\$ (17,464)	\$ 150,342
Total investment securities, trading	<u>167,038</u>	<u>768</u>	<u>(17,464)</u>	<u>150,342</u>
Investment securities, available-for-sale				
Equities	3,740	2,712	—	6,452
Total investment securities, available-for-sale	<u>3,740</u>	<u>2,712</u>	<u>—</u>	<u>6,452</u>
<b>Total</b>	<b><u>\$ 170,778</u></b>	<b><u>\$ 3,480</u></b>	<b><u>\$(17,464)</u></b>	<b><u>\$ 156,794</u></b>
<b>Non-current:</b>				
Investment securities, affiliates:				
Bexil Corporation	\$1,988,723	\$5,581,173	\$ —	\$ 7,569,896
Tuxis Corporation	2,365,112	—	(680,121)	1,684,991
Foxby Corp.	1,457,107	—	(156,997)	1,300,110
Global Income Fund, Inc.	14,462	—	(1,104)	13,358
<b>Total</b>	<b><u>\$5,825,404</u></b>	<b><u>\$5,581,173</u></b>	<b><u>\$(838,222)</u></b>	<b><u>\$10,568,355</u></b>

2004	<u>Gross Unrealized</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
<b>Current:</b>				
Investment securities, trading:				
Equities	\$ 325,626	\$ 79,298	\$ (389)	\$ 404,535
Total Investment securities, trading	<u>325,626</u>	<u>79,298</u>	<u>(389)</u>	<u>404,535</u>
Investment securities, available-for-sale				
Equities	3,740	414	–	4,154
Total investment securities, available-for-sale	<u>3,740</u>	<u>414</u>	<u>–</u>	<u>4,154</u>
<b>Total</b>	<b><u>\$ 329,366</u></b>	<b><u>\$ 79,712</u></b>	<b><u>\$ (389)</u></b>	<b><u>\$ 408,689</u></b>
<b>Non-current:</b>				
Investment securities, affiliates:				
Bexil Corporation	\$1,988,723	\$1,609,209	\$ –	\$3,597,932
Tuxis Corporation	2,153,211	–	(684,199)	1,469,012
Foxy Corp.	559,209	–	(33,291)	525,918
Global Income Fund, Inc.	13,921	1,339	–	15,260
<b>Total</b>	<b><u>\$4,715,064</u></b>	<b><u>\$1,610,548</u></b>	<b><u>\$(717,490)</u></b>	<b><u>\$5,608,122</u></b>

The Company's holding of shares in the listed securities of affiliates BXL, TUX, FXX and GIF are subject to certain restrictions in order to be eligible for sale pursuant to Rule 144 of the Securities Act of 1933. One such restriction limits the number of shares that may be sold in any three-month period to a formula, which is the greater of (a) 1% of the outstanding shares of the same class being sold by the Company or (b) the average weekly reported trading volume during the four calendar weeks preceding the sale.

Certain officers and directors of the Company also serve as officers and or directors of BXL, TUX, FXX, and GIF. The investments in BXL, TUX, and FXX represent approximately 25%, 23%, and 24% of the outstanding shares of each company, respectively.

On December 20, 2005, ISC entered into a Stock Purchase Agreement to purchase 397,300 shares of FXX from Richard J. Shaker, d/b/a Shaker Financial Services, which purchase was closed in January 2006.

## 6. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Furniture and fixtures	\$843,022	\$843,022
Computers and equipment	83,439	83,439
	<u>926,461</u>	<u>926,461</u>
Less: accumulated depreciation	(873,170)	(855,113)
Property and equipment	<u>\$ 53,291</u>	<u>\$ 71,348</u>

Depreciation expense for the years ended December 31, 2005 and 2004 was \$18,057 and \$23,991, respectively.

## 7. NET CAPITAL

ISC, the Company's broker-dealer subsidiary, is a member firm of the National Association of Securities Dealers, Inc. ("NASD") and is registered with the Securities and Exchange Commission as a broker-dealer. Under its membership agreement with the NASD, ISC must maintain minimum net capital, as defined, of not less than \$100,000, or 6-2/3% of aggregate indebtedness, whichever is greater, and a ratio of aggregate indebtedness to net capital, as defined, of not more than 15 to 1. At December 31, 2005, the subsidiary had net capital, as defined, of \$663,857, which exceeded its net capital requirement of \$100,000 by \$563,857. The ratio of aggregate indebtedness to net capital was approximately 1.93 to 1.

## 8. SHAREHOLDERS' EQUITY

The Class A and Class B common stock are identical in all respects except for voting rights, which are vested solely in the Class B common stock. The Company also has 1,000,000 shares of preferred stock, \$.01 par value, authorized. As of December 31, 2005 and 2004, none of the preferred stock was issued.

## 9. STOCK OPTIONS

In May 2005, the Company adopted the 2005 Performance Equity Plan that provides for the granting of a maximum of 500,000 options to purchase Class A common stock to directors, officers, and key employees of the Company or its affiliates. The option price per share may not be less than the fair value of such shares on the date the option is granted, and the maximum term of an option may not exceed five years. The vesting period is three years of service.

In December 1995, the Company adopted a Long-Term Incentive Plan (the "LTI Plan") that, as amended, provided for the granting of a maximum of 600,000 options to purchase Class A Common Stock to directors, officers and key employees of the Company or its subsidiaries. The LTI Plan expired on December 5, 2005. The option price per share could not be less than the fair value of such shares on the date the option is granted, and the maximum term of an option could not exceed ten years except as to non-employee directors for which the maximum term was five years.

The Company applies Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans. Disclosure of pro forma compensation cost for the Company's plans is required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and has been determined based on the fair value at the grant dates for awards under these plans consistent with the method of SFAS 123. For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period.

The following table presents the Company's pro forma net income for the years ended December 31, 2005 and 2004, respectively, assuming the Company had used the fair value method pursuant to SFAS 123 to recognize compensation expense with respect to options:

	<u>2005</u>	<u>2004</u>
Net income as reported	\$2,157,381	\$56,210
Less total employee stock option expense determined under fair value method, net of related tax effects	(132,934)	—
Pro forma net income	<u>\$2,024,447</u>	<u>\$56,210</u>
Earnings per share - Basic:		
As reported	\$1.40	\$0.04
Pro forma	\$1.31	\$0.04
Earnings per share - Diluted:		
As reported	\$1.40	\$0.04
Pro forma	\$1.31	\$0.04

The fair value of options granted were estimated at the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions used for options granted in 2005 were expected lives in the range of 3.5 to 4 years, risk-free interest rates in the range of 3.73% to 3.87%, expected volatility in the range of 60.30% to 61.38%, and no dividends. There were no options granted in 2004.

The following table summarizes information about stock options outstanding:

	<u>Shares Under Option</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2003	74,000	\$1.50
Exercised	(46,750)	\$1.50
Balance, December 31, 2004	27,250	\$1.50
Granted	305,000	\$2.96
Exercised	(10,000)	\$1.50
Forfeited	(17,250)	\$1.50
Balance, December 31, 2005	<u>305,000</u>	\$2.96

In connection with the exercise of stock options in 2004, the Company redeemed 29,250 shares of Class A common stock.

The following table summarizes information about stock options outstanding at December 31, 2005:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Weighted-Average Exercise Price</u>	<u>Options Exercisable</u>	<u>Weighted-Average Exercise Price of Exercisable Options</u>
\$2.95 - \$3.58	305,000	4.4 years	\$2.96	100,000	\$2.95

## 10. INCOME TAXES

The provision for income tax expense was as follows:

	<u>2005</u>	<u>2004</u>
Current		
Federal	\$ 111,576	\$113,000
State and local	41,677	21,225
	<u>153,253</u>	<u>134,225</u>
Deferred	1,551,764	(100,200)
	<u>\$1,705,017</u>	<u>\$ 34,025</u>

Deferred tax assets (liabilities) are comprised of the following at December 31, 2005:

Unrealized appreciation on investments	\$(1,937,764)
Accrued expenses	2,000
Net capital loss carryforwards	25,000
Total deferred tax liabilities	<u>\$(1,910,764)</u>

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate is as follows:

	<u>2005</u>	<u>2004</u>
Statutory rate	35.0%	34.0%
Increase in effective tax rate resulting from:		
Non-deductible income and expenses, net	9.1	3.7
	<u>44.1%</u>	<u>37.7%</u>

## 11. COMMITMENTS AND CONTINGENCIES

The Company leases office space under a lease expiring on September 30, 2008. The future minimum lease payments for years ended December 31, including electricity, are as follows:

2006	\$ 97,100
2007	100,200
2008	76,600
	<u>\$273,900</u>

The Company entered into a Death Benefit Agreement (the "DBA") with the Company's Chairman. Following his death, the DBA provides for annual payments, equal to 90% of his average annual base salary received from the Company, its affiliates, subsidiaries and other related entities for the three year period prior to his death, respectively, and subject to certain adjustments, to his wife until her death. The Company's obligations under the DBA are not secured and will terminate if he leaves the Company's employ under certain conditions.

The Company has a key man life insurance policy on the life of the Company's Chairman that provides for the payment of \$1,000,000 to the Company upon his death. As of December 31, 2005 and 2004, the policy had a cash surrender value of approximately \$369,000 and \$338,000, respectively, and is included in other assets in the consolidated balance sheets.

## 12. RELATED PARTIES

### Affiliates BXL and TUX

Certain officers of the Company also serve as officers and/or directors of BXL and TUX (collectively the "Affiliates"). The Company's subsidiary, MMC, acts as "master" payer of costs of compensation, benefits, rent expense of jointly used office space, and overhead expense for various jointly used administrative and support functions for the Company and its subsidiaries and the Affiliates. These costs are allocated to the Affiliates when incurred by the Company. Under a separate agreement, MMC also performed certain accounting services for TUX. The Company was reimbursed by the Affiliates for incurred rent and overhead costs of \$170,032 and \$160,000 for the years ended December 31, 2005 and 2004, respectively. TUX reimbursed MMC for accounting services of \$20,000 and \$13,333 for the years ended December 31, 2005 and 2004, respectively. The Company had a receivable from the Affiliates for these charges of \$58,239 and \$130,269 at December 31, 2005 and 2004, respectively.

### The Midas Funds (Midas Fund, Inc., Midas Special Fund, Inc., and Midas Dollar Reserves, Inc.) and the CEF Funds (Global Income Fund, Inc., and Foxby Corp.) (collectively referred to herein as the "Funds")

The Company has a separate investment management agreement with each of the Funds that provides for an investment management fee based on a percentage of average net assets of the respective Fund. The Company earned investment management fees of \$1,077,404 and \$1,106,688 for the years ended December 31, 2005 and 2004, respectively. The Company had a receivable for investment management fees of \$96,486 and \$89,064 at December 31, 2005 and 2004, respectively.

Pursuant to the investment management agreements, the Funds reimbursed the Company for providing certain administrative services at cost comprised of compliance and accounting services of \$303,819 and \$317,544 for the years ended December 31, 2005 and 2004, respectively. The Company had a receivable for these services of \$48,825 and \$56,063 at December 31, 2005 and 2004, respectively.

The Company has a separate distribution and shareholder servicing agreement with each of the Midas Funds that provides for a distribution and service fee based on a percentage of average net assets of the respective Fund. The Company earned distribution and service fees of \$337,986 and \$366,383 for the years ended December 31, 2005 and 2004, respectively. The Company had a receivable for distribution and service fees of \$28,932 and \$27,061 at December 31, 2005 and 2004, respectively.

ISC has entered into agreements with selected dealers for distribution, shareholder servicing, and recordkeeping for the Midas Funds. The charges of such dealers to ISC for distribution and shareholder servicing are borne by ISC and for recordkeeping are reimbursed to ISC by the Midas Funds. For the years ended December 31, 2005 and 2004, the recorded reimbursements of \$52,121 and \$50,997, respectively, for recordkeeping. At December 31, 2005 and 2004, the Company had a receivable from the Midas Funds for recordkeeping of \$8,829 and \$9,000, respectively.

The Company voluntarily waived the investment management fee and distribution and service fees for Midas Dollar Reserves, Inc. of \$109,144 and \$139,764 for the years ended December 31, 2005 and 2004, respectively.

Certain officers of the Company also serve as officers and/or directors of the Funds.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of  
Winmill & Co. Incorporated

We have audited the accompanying consolidated balance sheets of Winmill & Co. Incorporated and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Winmill & Co. Incorporated and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their consolidated cash flows for each of the two years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP  
Philadelphia, Pennsylvania  
July 10, 2006

The Company's Class A common stock (non-voting) is publicly traded under the symbol WNMLA. Prior to August 6, 2004, the Class A common stock traded on the Nasdaq SmallCap Market tier of the Nasdaq Stock Market and thereafter in the Pink Sheets. The Company's Class B common stock (voting) has no public trading market.

The high and low sales prices of the Class A common stock during each quarterly period over the last two years were as follows:

	<u>2005</u>		<u>2004</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter	\$2.55	\$2.15	\$6.25	\$3.74
Second Quarter	\$2.85	\$2.28	\$5.46	\$4.01
Third Quarter	\$3.50	\$2.75	\$4.38	\$2.15
Fourth Quarter	\$5.25	\$3.00	\$2.40	\$2.10

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## **PRIVACY POLICY**

Winmill & Co. Incorporated recognizes the importance of protecting the personal and financial information of its shareholders. We consider each shareholders' personal information to be private and confidential. This describes the practices followed by us to protect our shareholders' privacy. We may obtain information about you from the following sources: Information we receive from you on forms and other information you provide to us whether in writing, by telephone, electronically or by any other means; information regarding your transactions with us, our corporate affiliates, or others. We do not sell shareholder personal information to third parties. We will collect and use shareholder personal information only to service shareholder accounts. This information may be used by us in connection with providing services or financial products requested by our shareholders. We will not disclose shareholder personal information to any nonaffiliated third party except as permitted by law. We take steps to safeguard shareholder information. We restrict access to nonpublic personal information about you to those employees and service providers who need to know that information to provide products or services to you. With our service providers we maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. Even if you are no longer a shareholder, Winmill & Co. Incorporated's Privacy Policy will continue to apply to you. We reserve the right to modify, remove or add portions of this Privacy Policy at any time.

**DIRECTORS**

BASSETT S. WINMILL  
Chairman of the Company  
THOMAS B. WINMILL, Esq.  
President of the Company and  
Bexil Corporation  
MARK C. WINMILL  
President, Tuxis Corporation

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MARION E. MORRIS  
Senior Vice President  
THOMAS O'MALLEY  
Treasurer, Chief Financial Officer  
JOHN F. RAMIREZ.  
Vice President, Secretary  
Chief Compliance Officer  
HEIDI KEATING  
Vice President  
VICTORIA CHANG  
Assistant Treasurer, Controller  
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