



FISCAL YEAR ENDED SEPTEMBER 28, 1963

WALT DISNEY PRODUCTIONS *Annual Report* TO SHAREHOLDERS AND EMPLOYEES

### *As we go to press...*

NEW YORK CITY... 521 top theatres in key cities in the United States and Canada are playing THE SWORD IN THE STONE over the Christmas and New Year's holidays.

LONDON, ENGLAND... Reaction of the press to first showings of THE SWORD IN THE STONE was the best Disney ever received from British critics. The London Express was lavish in its praise, stating "That old Disney magic is back," while the Standard reported "Disney's new cartoon feature is an unalloyed delight."

PARIS, FRANCE... A great many key theatres in France, Italy and Belgium presented the re-release of PINOCCHIO as their Christmas and New Year's attraction.

DISNEYLAND... The ninth annual Christmas Festival at Disneyland Park included the popular "Christmas in Many Lands" parade, with the "Parade of Toys" segment, and attracted the greatest number of participants in its annals. More than 3,000 persons, representing virtually every nation in the free world, participated in the parade. From Norway to Japan, and from Jordan to the United States, costumed performers thrilled a huge audience at the Park.

BURBANK, CALIFORNIA... Our surprise picture of the year is THE INCREDIBLE JOURNEY. Hailed throughout the United States and Canada, it has been running up outstanding theatre grosses, and will be one of the leading drawing cards of 1963.

### PARENT COMPANY

Walt Disney Productions  
500 South Buena Vista Street, Burbank, California  
*Produces motion pictures for theatrical and television distribution — conducts ancillary activities and operates Disneyland Park.*

### DOMESTIC SUBSIDIARIES

Buena Vista Distribution Company, Inc.  
*Distributes, syndicates and sells only the product of Walt Disney Productions comprised of 35mm theatrical film, 16mm film, Mickey Mouse Club television shows and records and albums.*

Buena Vista International, Inc.  
*Supervises the distribution of Walt Disney Productions foreign 35mm theatrical film, 16mm film and foreign television.*

Walt Disney Music Company  
*Music publishing — ASCAP affiliate*

Wonderland Music Company  
*Music publishing — BMI affiliate*

Celebrities, Inc.  
*Bowling, swimming, dining and other family entertainment facilities.*

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# WALT DISNEY PRODUCTIONS

## BOARD OF DIRECTORS

†Walter E. Disney . . . . .	<i>Burbank, California</i>
*Roy O. Disney . . . . .	<i>Burbank, California</i>
George L. Bagnall . . . . .	<i>Beverly Hills, California</i>
*Gunther R. Lessing . . . . .	<i>Burbank, California</i>
William H. Anderson . . . . .	<i>Burbank, California</i>
*E. Cardon Walker . . . . .	<i>Burbank, California</i>
Gordon E. Youngman . . . . .	<i>Beverly Hills, California</i>
Youngman, Hungate and Leopold — Attorneys	

†Executive Producer—in charge of all production

\*Member, Executive Committee

## OFFICERS

Roy O. Disney . . . . .	<i>President</i>
Gunther R. Lessing . . . . .	<i>Vice President and General Counsel</i>
William H. Anderson . . . . .	<i>Vice President, Studio Operations</i>
E. Cardon Walker . . . . .	<i>Vice President, Advertising and Sales</i>
Donn B. Tatum . . . . .	<i>Vice President, Television Sales</i>
Oliver B. Johnston . . . . .	<i>Vice President</i> <i>Character Merchandising</i>
Joseph W. Fowler . . . . .	<i>Vice President, Disneyland Operations</i>
Luther R. Marr . . . . .	<i>Secretary</i>
Spencer C. Olin . . . . .	<i>Assistant Secretary</i>
Robert P. Foster . . . . .	<i>Assistant Secretary</i>
Michael L. Bagnall . . . . .	<i>Assistant Secretary</i>
Franklin Waldheim . . . . .	<i>Assistant Secretary</i> <i>and Eastern Counsel</i>
Lawrence E. Tryon . . . . .	<i>Treasurer</i>
Orbin V. Melton . . . . .	<i>Assistant Treasurer</i>
Donald A. Escen . . . . .	<i>Assistant Treasurer</i>
Richard L. Johnson . . . . .	<i>Assistant Treasurer</i>

STOCK TRANSFER AGENTS:	Bank of America, N.T. & S.A., Los Angeles, California; Bankers Trust Company, New York, N.Y.
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STOCK REGISTRARS:	United California Bank, Los Angeles, California; First National City Bank, New York, N.Y.
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STOCK EXCHANGES:	The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.
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ANNUAL MEETING OF STOCKHOLDERS:	First Tuesday in February at the offices of the Company, 500 South Buena Vista Street, Burbank, California.
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This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.

To our  
Shareholders and  
Employees



With another record year in the books, it is pleasant to contemplate that production-wise we are in the best shape in our history.

We have eight theatrical features either completed or in the last stage of production for release this year and early in 1965. Six others are being readied for filming during the coming months. The entire program looks very promising.

We are in an equally good position with our Wonderful World of Color television schedule.

The theatrical programs run the gamut of entertainment, from fantasy to mystery, with MARY POPPINS, which will reach the screen during the fall, being a stand-out production.

Besides MARY POPPINS we have THE SWORD IN THE STONE, our all-cartoon feature which opened during the Holidays; THE MISADVENTURES OF MERLIN JONES, THOMASINA, THE MOON-SPINNERS, EMIL AND THE DETECTIVES, A TIGER WALKS and THOSE CRAZY CALLOWAYS.

In addition we will re-release CINDERELLA, our cartoon feature, in 1965.

Everyone who has seen MARY POPPINS concludes that it should be our finest live-action picture. We are extremely happy with the performances of Julie Andrews ("My Fair Lady"), Dick Van Dyke, David Tomlinson, Glynis Johns, and Ed Wynn. In fact I cannot say too much about the entire cast.

THE THREE LIVES OF THOMASINA, based on Paul Gallico's best seller, is a heart-warming story of a

most unusual cat and her effect on the people in her life. It stars British favorites Patrick McGoohan and Susan Hampshire and introduces two talented youngsters, Karen Dotrice and Matthew Garber.

THE MISADVENTURES OF MERLIN JONES is a way-out comedy starring the popular young performers, Tommy Kirk and Annette. It's an hilarious story of a scientific college student who develops mechanical mind-reading plus some improvements on the art of hypnosis.

A TIGER WALKS, based on a novel by Ian Niall, stars Brian Keith, Vera Miles, Pamela Franklin and Sabu. It is a suspenseful, warm and human drama.

We are presently wrapping up THE MOON-SPINNERS, adapted from Mary Stewart's novel, which was filmed mostly on the picturesque island of Crete. Hayley Mills, one of the finest young talents on the screen, stars. Of wide interest, I am sure, will be the return of Pola Negri to films after an absence of twenty years. Eli Wallach, Joan Greenwood, Irene Papas and a bright new British find, Peter McEnery, complete the cast.

Also nearing completion is EMIL AND THE DETECTIVES from the Erich Kastner novel. THE PARENT TRAP was based on another work by Kastner. This comedy-drama tells the suspenseful and fun-filled story of a group of youngsters who band together to catch a gang of crooks and recoup money stolen from one of the boys. It stars Walter Slezak, Bryan Russell and Roger Mobley.

THOSE CRAZY CALLOWAYS is a warm, human story of a man's dream to provide a haven for wildlife, even at the risk of his own life and his family's welfare. Shot in Vermont, the backgrounds for this feature are really spectacular. It will star Brian Keith, Vera Miles, Brandon de Wilde, Walter Brennan, Ed Wynn and the lovely young newcomer, Linda Evans, one of the finest casts we ever have assembled.

Color television is growing in importance every week and audience viewing of our Wonderful World of Color is most satisfying to us. We are far enough ahead in our next season's product to visualize that our program over the NBC Television Network will be marked not only by wide diversification but by top entertainment subjects.

Disneyland Park enjoyed its finest year attendance-wise. Work is going ahead on our New Orleans Square project and The Haunted Mansion, which will be in full operation in 1965.

To all in our organization whose dedicated efforts helped make the past twelve months so successful, I extend my warmest appreciation. May this be a wonderful year for you all.

Walt Disney

## The President's Letter

### NET PROFIT

Consolidated net profit after taxes of Walt Disney Productions and its five wholly-owned domestic subsidiaries for the fiscal year ended September 28, 1963, was \$6,574,321, representing \$3.81 per share on the 1,727,743 shares outstanding at the fiscal year end. This compares with last year's net profit of \$5,263,491, equal to \$3.14 per share on the 1,674,804 common shares outstanding.

Provision for income taxes of \$6,100,000 was made for 1963 and compares with \$5,650,000 for 1962.

### GROSS INCOME

Gross income for the year was \$81,922,127, compared with \$75,611,827 last year, an increase of \$6,310,300. This is the highest gross income in the history of the company. Film rentals for the year were \$40,918,923, as compared with \$42,408,634 last year. Television income this year totaled \$8,259,723, an increase of \$2,266,362 over last year. This increase resulted from the syndication of our Mickey Mouse Club television shows. Disneyland Park income this year totaled \$24,076,844, an increase of \$4,020,120 over last year. About one-third of this increase in gross income resulted from Disneyland assuming the operation of additional merchandising outlets in the Park. All other income from publications, newspaper comic strips, licensing cartoon characters, music, records and Celebrity Sports Center was \$8,666,637, an increase of \$1,513,529 over last year, most of which resulted from reflecting a full year of Celebrities' income compared with six months last year.

### DIVIDENDS

Four regular quarterly cash dividends totaling 40¢ per share and aggregating \$685,114 were declared during the year and paid to stockholders January 19, April 1, July 1 and October 1, 1963. On January 19, 1963, a 3% stock dividend, declared November 8, 1962, was paid to stockholders of record December 21, 1962, pursuant to which 50,245 shares of common stock were issued. As a result Earnings Retained in the Business was charged and Invested Capital credited with \$1,323,200 on the basis of \$26.33 per share (the closing price on the New York Stock Exchange the day of declaration adjusted for the stock dividend). The total amount charged to Retained Earnings for cash and stock dividends was \$2,008,314 during the year. The Board of Directors at their regular quarterly meeting held on November 14, 1963, declared a quarterly cash dividend of 10¢ per share and a 3% stock dividend, each payable January 18, 1964, to stockholders of record December 18, 1963.

The company, depending on earnings and other pertinent factors, intends to continue the cash and stock dividend policy which was initiated in 1957.

### FINANCIAL

Under our agreement with the Prudential Insurance Company of America we may make prepayments against our long-term \$15,000,000 loan. In September of this year a prepayment of \$2,500,000 was made on the principal amount of the loan. Under the loan agreement the first required annual payment, against the principal amount of the loan, is due in September, 1964. When reviewing the ac-

counting statements which follow in this report you will note that \$1,250,000 is classified as a current liability of the company and the balance of \$11,250,000 as a long-term liability.

### STOCK OPTION AND PARTICIPATION

In last year's Annual Report, we commented on a stock option incentive plan previously approved by the Board of Directors and Stockholders of Walt Disney Productions. Under the five-year plan, 100,000 shares of the common stock of the company were made available for granting to key Disney personnel. Options are exercisable in equal annual installments commencing one year after the date granted. During the fourth quarter of the fiscal year just ended the first of such options were exercised. As of the date of this letter, 3,074 shares were issued to 28 key employees for a total amount of \$95,978.43.

In March of this year, five of the company's key creative employees were granted the opportunity to purchase a 1% interest in certain live-action theatrical motion pictures to be produced by the company during the calendar year 1963. The exercising of such rights requires each of the participants to pay to the company an equivalent percentage of the production cost of such pictures.

Additional information on both the stock option and the participation of these key creative employees is included in the Proxy Statement enclosed.

### MARKETING AND SELLING

Presently we are selling through our wholly-owned subsidiaries our theatrical motion pictures in the United States, England and Japan. During the past



year we established a selling organization in France. We are now in the process of setting up our selling organizations in Germany and Sweden. Around the rest of the world we buy distribution services of other distributors. We continue to seek new and improved ways to streamline our operations here and abroad, as well as increase and diversify our income.

#### TELEVISION

The year just ended concluded the second year of telecasting our weekly "Walt Disney's Wonderful World of Color" hour show, in color, over the National Broadcasting Company Television Network. The show continues to be well received.

As reported in the interim letter to stockholders, our agreement with the National Broadcasting Company Television Network to telecast "Walt Disney's Wonderful World of Color" has been extended and is now in effect through the television year ending in September, 1965.

The Mickey Mouse Club television show commenced its re-telecast in the major markets throughout the United States in the fall of 1962. The show, now entering its second year, not only is highly profitable, but is of great value to our Merchandising and Publishing activities and also provides the company with an excellent media of drawing special attention in local markets to our theatrical product currently in release throughout the United States and Canada.

#### DISNEYLAND PARK

We are pleased with the way Disneyland Park continues to be received by the recreation and enter-

tainment-minded public. During the year just ended attendance and per capita spending continued to increase — exceeding last year's record high. A total of 5,643,398 guests visited the Park last year. This was up approximately 11% over the prior year's 5,076,987. A significant part of this increase in attendance this year resulted from better night attendance and the selling of the Park to special parties. About 40,000,000 guests have enjoyed Disneyland since opening day in July, 1955.

Research and development continue on two new major attractions for the Park — New Orleans Square and the Haunted House. Included in the New Orleans Square development will be a thrilling water ride. It is our plan to have one or both of these attractions ready for the public to enjoy in the summer of 1965.

Commencing July 1, 1963, the company adopted a retirement plan for its employees not presently covered under the Motion Picture Pension Plan. The retirement plan includes Disneyland employees along with employees of the company's wholly-owned subsidiaries and related activities. Note 6 to the financial statements further explains the plan.

#### OTHER INCOME

Under "Other Income" on our Consolidated Statement of Income we group the activities of several divisions and wholly-owned subsidiaries of the company which market and exploit the names, characters, music and other values growing out of our theatrical films, television shows and Disneyland Park. A full year of Celebrity Sports Center is included in this category.

Celebrity Sports Center is located in Denver, Colorado, and is a fine family recreational and dining facility. During the year just ended we set up a food service division which has undertaken certain food operations at Celebrity Sports Center and Disneyland Park. We plan to broaden this food service division in the years ahead.

Publications and character merchandising enjoyed a successful year.

Walt Disney newspaper comic strips continued through their thirty-third year of uninterrupted daily and Sunday publication in the world's newspapers.

Phonograph records and music publishing activities maintained steady growth — particularly in the field of children's records.

All of these activities, both here and around the world, are under our direct control and are an important source of income to the company.

Walt Disney, in his letter, has commented on the motion picture product already completed or in work for this year's television and theatrical markets. Of great significance, however, was the quality and success of our television and theatrical motion pictures released during the past year. All product currently in release is profitable. All divisions and subsidiaries are operating profitably. We feel confident that the current year will be another good year for the company.

December 4, 1963

*Walt Disney*  
President

# WALT DISNEY PRODUCTIONS

## CONSOLIDATED BALANCE SHEET

### Assets

#### CURRENT ASSETS

	September 28 1963	September 29 1962
Cash, including \$2,500,000 in time deposits in 1963 . . . . .	\$ 3,695,594	\$ 2,095,000
Accounts receivable . . . . .	3,354,532	2,890,240
	<u>7,050,126</u>	<u>4,985,240</u>
Inventories, at the lower of cost or market (note 2)		
Productions in process . . . . .	13,664,270	16,850,053
Completed productions, less amortization . . . . .	11,059,449	7,558,220
Story rights and pre-production costs . . . . .	882,336	851,854
Merchandise, materials and supplies . . . . .	1,669,753	1,675,736
Total inventories . . . . .	<u>27,275,808</u>	<u>26,935,863</u>
Total current assets . . . . .	<u>34,325,934</u>	<u>31,921,103</u>

#### OTHER ASSETS

Investment in and advance to other company . . . . .	331,140	356,140
Investments in foreign subsidiaries not consolidated, less amortization (note 1) . . . . .	99,368	99,368
Cash surrender value of insurance on lives of officers . . . . .	508,470	475,372
Sundry other assets and deferred charges . . . . .	576,271	537,973
	<u>1,515,249</u>	<u>1,468,853</u>

#### PLANT AND EQUIPMENT, AT COST

Studio, amusement park and sports center — buildings, equipment, rides and other depreciable assets (notes 4 and 5) . . . . .	46,293,266	44,854,351
Less — Accumulated depreciation and amortization . . . . .	21,589,962	20,574,541
	<u>24,703,304</u>	<u>24,279,810</u>
Land . . . . .	6,275,692	5,913,209
	<u>30,978,996</u>	<u>30,193,019</u>
	<u>\$66,820,179</u>	<u>\$63,582,975</u>

# AND DOMESTIC SUBSIDIARIES

## Liabilities and Stockholders Equity

### CURRENT LIABILITIES

	September 28 1963	September 29 1962
Unsecured bank loan . . . . .		\$ 2,300,000
Current portion of long term note . . . . .	\$ 1,250,000	
Accounts payable . . . . .	4,323,983	4,241,442
Advances under contracts . . . . .	1,000,000	1,240,000
Payroll and employee benefits . . . . .	2,028,111	1,616,022
Property, social security and other taxes . . . . .	1,882,108	1,771,061
Estimated taxes on income (note 4) . . . . .	5,720,019	3,692,121
Total current liabilities . . . . .	<u>16,204,221</u>	<u>14,860,646</u>

UNEARNED DEPOSITS AND RENTALS . . . . .	<u>1,840,518</u>	<u>2,273,402</u>
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### LONG TERM LIABILITIES

Unsecured note less current portion shown above (note 3) . . . . .	11,250,000	15,000,000
Deferred compensation . . . . .	547,672	505,191
	<u>11,797,672</u>	<u>15,505,191</u>

ESTIMATED FUTURE FEDERAL INCOME TAX (note 5) . . . . .	<u>1,980,000</u>	<u>1,920,000</u>
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### STOCKHOLDERS EQUITY

Invested capital, including transfers from accumulated earnings, per accompanying statement (note 7) . . . . .	16,992,236	15,584,211
Other accumulated earnings, per accompanying statement (notes 3 and 7) . . . . .	18,005,532	13,439,525
	<u>34,997,768</u>	<u>29,023,736</u>
	<u>\$66,820,179</u>	<u>\$63,582,975</u>

See notes to the financial statements on pages 8 and 9

# Consolidated Statement of Income

	Year Ended	
	September 28 1963	September 29 1962
INCOME (note 8)		
Film rentals . . . . .	\$40,918,923	\$42,408,634*
Television income . . . . .	8,259,723	5,993,361
Amusement park income . . . . .	24,076,844	20,056,724
Other income — from publications, newspaper comics, licensing cartoon characters, music, records and sports center . . . . .	8,666,637	7,153,108
Total income . . . . .	<u>81,922,127</u>	<u>75,611,827</u>
COSTS AND EXPENSES		
Amortization of film and television production costs (note 2) . . . . .	16,145,734	15,586,346
Distribution costs — prints, advertising, etc. . . . .	15,471,499	15,487,864*
Costs of amusement park, other than depreciation . . . . .	16,290,424	15,864,450
Depreciation of amusement park (note 5) . . . . .	2,823,496	2,688,791
Costs applicable to other income . . . . .	6,477,786	5,135,492
General, administrative and selling expenses . . . . .	10,145,477	8,391,875
Interest . . . . .	1,170,132	916,216
Stories and pre-production costs abandoned . . . . .	723,258	627,302
Estimated taxes on income (notes 4 and 5) . . . . .	6,100,000	5,650,000
Total costs and expenses . . . . .	<u>75,347,806</u>	<u>70,348,336</u>
PROFIT FOR THE YEAR . . . . .	<u>\$ 6,574,321</u>	<u>\$ 5,263,491</u>
EARNINGS PER SHARE . . . . .	\$ 3.81	\$ 3.14

\*These amounts have been restated for comparative purposes.  
See notes to the financial statements on pages 8 and 9

# Stockholders Equity

	Year Ended	
	September 28 1963	September 29 1962
<b>INVESTED CAPITAL</b>		
Balance at beginning of year . . . . .	\$15,584,211	\$13,808,095
Proceeds from exercise of stock options — 2,694 shares (note 7) . . . . .	84,825	
Market value of shares issued as stock dividend (1963: 50,245; 1962: 48,781) (note 7) . . . . .	1,323,200	1,776,116
Balance at end of year . . . . .	<u>16,992,236</u>	<u>15,584,211</u>
<b>OTHER ACCUMULATED EARNINGS</b>		
Balance at beginning of year . . . . .	13,439,525	10,617,193
Profit for the year . . . . .	6,574,321	5,263,491
Less — Dividends paid		
In cash . . . . .	(685,114)	(665,043)
In stock . . . . .	(1,323,200)	(1,776,116)
Balance at end of year (notes 3 and 7) . . . . .	<u>18,005,532</u>	<u>13,439,525</u>
<b>TOTAL STOCKHOLDERS EQUITY . . . . .</b>	<u><u>\$34,997,768</u></u>	<u><u>\$29,023,736</u></u>
<b>REPRESENTED BY</b>		
Common shares (\$2.50 par value)		
Authorized . . . . .	3,000,000	3,000,000
Issued and outstanding . . . . .	1,727,743	1,674,804

See notes to the financial statements on pages 8 and 9

## Opinion of Independent Accountants

### PRICE WATERHOUSE & CO.

530 West Sixth Street  
Los Angeles 14  
December 4, 1963

To the Board of Directors and Stockholders of Walt Disney Productions:

In our opinion, the accompanying statements present fairly the consolidated financial position of Walt Disney Productions and domestic subsidiaries at September 28, 1963 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

# Notes to the Financial Statements

## **Note 1 Principles of Consolidation**

The accounts of domestic subsidiaries, all wholly owned, have been consolidated in the accompanying financial statements and all significant intercompany transactions have been eliminated. The domestic subsidiaries are the same as at September 29, 1962.

The accounts of foreign subsidiaries have not been consolidated. These companies produce and distribute pictures, carry on the company's character merchandising business and publish music in various foreign countries. Consistent with the company's long established policy, royalties, dividends and other revenues from these subsidiaries are taken into income when received in United States dollars. At September 28, 1963 these subsidiaries had total assets of \$2,020,000 and net assets of \$530,000. The company's equity in these net assets exceeded the carrying value of its investments therein by approximately \$430,000. During the year ended September 28, 1963 the earnings of these unconsolidated subsidiaries amounted to approximately \$265,000 and the dividends received from them totaled \$15,000.

## **Note 2 Inventories and Amortization**

Costs of completed theatrical and television productions are amortized by charge to the income account in the proportion that the producer's share of income (less distribution, print and advertising costs) received by the company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly.

## **Note 3 Long Term Liabilities**

The unsecured notes are payable in instalments from 1964 to 1973 with interest payable currently at 5.9% per annum. The agreement underlying the notes contains a minimum working capital requirement of \$15,000,000 for the company and its domestic subsidiaries. The loan agreement also contains provisions under which \$10,248,015 of the \$18,005,532 earnings retained in the business at September 28, 1963 are restricted as to the payment of cash dividends.

## **Note 4 Estimated Federal Income Tax**

The company has made substantial additions to film negatives and amusement park assets since December 31, 1961. The extent to which such additions qualify for the Investment Tax Credit is the subject of proposed legislation by Congress and determinations by the Internal Revenue Service. Pending decision of these matters no recognition of the possible tax reduction due to the Investment Tax Credit on these assets has been made in the financial statements, although such credits have been claimed in the company's federal income tax returns. The Investment Tax Credit on other additions to company plant and equipment was insignificant in amount.

The company's returns for the fiscal years 1957 through 1962 and those of Disneyland, Inc. for the fiscal years 1955 through 1961 are currently under examination. As a result of negotiations in 1963 with representatives of the Internal Revenue Service the proposed assessment of additional federal income taxes related to Disneyland Inc. for the years 1955 through 1961 has

been reduced to approximately \$1,340,000 of which approximately \$754,000 relates to unearned deposits and rentals, which have been deferred for tax purposes, and \$510,000 to adjustments of depreciable lives of Park assets. The company is continuing to protest these assessments; should it be unsuccessful the unearned deposits and rentals will be placed on a net of income tax basis by transferring the amount of applicable income tax from the deferred income account to the liability for federal income taxes.

Provision has been made in the financial statements for all additional taxes believed to be payable for all open years.

#### Note 5 Estimated Future Federal Income Tax

Since inception, depreciation on Disneyland Park assets has been computed for federal income tax purposes on the declining balance method using twice the rate used for book purposes. However, during the same period, federal income taxes on Disneyland earnings have been provided at the rate of approximately 52% of the Disneyland net income reflected in the financial statements. The excess of the aggregate provisions for federal income taxes over the liabilities shown or estimated to be shown on tax returns covering Disneyland operations for years through September 28, 1963 is included under the caption Estimated Future Federal Income Tax in the accompanying balance sheet.

#### Note 6 Pension Plans

As of July 1, 1963 the company adopted a pension plan for qualified employees of Walt Disney Productions

and its domestic subsidiaries. The plan is funded by company and employee contributions to a trust administered by a bank. Past service costs are actuarially estimated at \$1,260,000, of which \$126,000 was charged to expense in the current year.

The company also contributes to various union and industry pension plans, for which all past service costs have been paid.

#### Note 7 Stockholders Equity \*

Under the provisions of the company's stock incentive plan, 100,304 shares of authorized but unissued common stock are reserved for issue to executive and management personnel at prices not less than 95% of the fair market value of the stock at the date of granting the option (adjusted for stock dividends paid). Options expire five years from the dates granted and are exercisable in equal annual installments commencing one year after the date granted. The number of shares under options outstanding, after increases to reflect the 3% stock dividend paid in January 1963, was as follows:

Option Price per Share	Outstanding at September 29 1962*	Exercised in 1963	Outstanding at September 28 1963	Exercisable at September 28 1963
\$33.89	86,520	1,799	84,721	20,603
\$26.17	16,478	895	15,583	3,371
	<u>102,998</u>	<u>2,694</u>	<u>100,304</u>	<u>23,974</u>

\*No options were exercisable at September 29, 1962

A 3% stock dividend declared on November 8, 1962 was paid on January 19, 1963 to holders of record on

December 21, 1962. This resulted in a \$1,323,200 transfer to invested capital from accumulated earnings. A 3% stock dividend was declared on November 14, 1963, payable January 18, 1964 to holders of record on December 18, 1963.

#### Note 8 Method of Accounting for Revenue

The company records foreign income at the time of receipt of remittances in United States dollars or at the time of expenditures of foreign currencies abroad for the account of the company. Accordingly, at September 28, 1963 and September 29, 1962, there were at current rates of exchange, approximately \$2,650,000 and \$2,700,000 (before film production cost amortization and income taxes) of currencies in foreign countries representing income which has not been recorded as assets or as income in the accompanying statements.

It has been the company's long established and consistently applied practice to record domestic film rental income upon receipt of remittances. While it is not feasible to attempt an exact determination at either the beginning or the end of the current year of the amount of net income from unrecorded domestic film rentals, the company estimates the approximate amount thereof to be \$500,000 at both dates.

# A TEN YEAR SUMMARY — IN THOUSANDS OF DOLLARS

FISCAL YEARS ENDED SEPTEMBER 30	1963	1962	1961	1960	1959
OPERATIONS:					
Gross income . . . . .	\$ 81,922	75,612	70,248	50,931	58,432
Costs and expenses					
Amortization of production costs . . . . .	\$ 16,146	15,586	19,226	14,619	19,402
Interest expense . . . . .	1,170	916	1,575	1,497	989
Other costs and expenses . . . . .	51,932	48,196	39,659	37,322	30,323
Provision for taxes on income . . . . .	6,100	5,650	5,322	( 1,300)	3,900
Total costs and expenses . . . . .	\$ 75,348	70,348	65,782	52,138	54,614
Minority interest in profit of Disneyland, Inc. . . . .				135	418
Profit (loss) . . . . .	\$ 6,574	5,264	4,466	( 1,342)	3,400
Net income per share after giving effect to 2 for 1 stock split effective August 20, 1956 . . . . .	\$ 3.81	3.14	2.75	( .83)	2.15
Number of common shares . . . . .	1,728	1,675	1,626	1,626	1,581
FINANCIAL CONDITION:					
Current assets . . . . .	\$ 34,326	31,921	31,648	38,840	35,945
Current liabilities . . . . .	16,204	14,861	15,466	21,278	22,626
Net working capital . . . . .	18,122	17,060	16,182	17,562	13,319
Land, buildings and equipment after deducting depreciation . . . . .	30,979	30,193	25,005	26,511	21,899
Other assets and deferred charges . . . . .	1,515	1,469	2,469	746	864
Unearned deposits and rentals . . . . .	( 1,840)	( 2,273)	( 2,071)	( 2,087)	( 1,785)
Long term liabilities . . . . .	(11,798)	(15,505)	(15,360)	(20,397)	( 6,266)
Minority interest in Disneyland, Inc. . . . .					( 1,633)
Estimated future federal income tax . . . . .	( 1,980)	( 1,920)	( 1,800)	( 1,725)	( 2,000)
Stockholders equity . . . . .	\$ 34,998	29,024	24,425	20,610	24,398
Net worth per common share after giving effect to 2 for 1 stock split effective August 20, 1956 . . . . .	\$ 20.26	17.33	15.02	12.68	15.43
STOCKHOLDERS EQUITY REPRESENTED BY:					
Invested capital . . . . .	\$ 16,992	15,584	13,808	13,808	12,710
Other accumulated earnings . . . . .	18,006	13,440	10,617	6,802	11,688
Total stockholders equity . . . . .	\$ 34,998	29,024	24,425	20,610	24,398

1958	1957	1956	1955	1954
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48,577	35,778	27,565	24,639	11,641
13,726	12,284	11,327	12,692	5,154
560	339	489	435	371
26,365	15,380	11,285	9,009	4,542
3,925	3,850	1,841	1,150	840
44,576	31,853	24,942	23,286	10,907
136	276			
3,865	3,649	2,623	1,353	734
2.51	2.44	2.01	1.04	.56
1,537	1,494	1,306	1,306	1,306

30,401	23,838	18,990	14,715	15,414
15,032	15,091	14,323	11,914	10,982
15,369	8,747	4,667	2,801	4,432
18,275	17,124	3,466	3,560	2,639
684	749	4,702	3,360	1,053
( 2,382)	( 2,361)	( 729)	( 588)	( 344)
( 6,591)	( 2,373)	( 593)	( 244)	( 244)
( 1,215)	( 1,079)			
( 1,935)	( 1,825)			
22,205	18,982	11,513	8,889	7,536
14.45	12.71	8.82	6.81	5.77

11,281	10,268	6,000	6,000	6,000
10,924	8,714	5,513	2,889	1,536
22,205	18,982	11,513	8,889	7,536

# **FUNDS AVAILABLE—FUNDS APPLIED**

For Year Ended September 28, 1963

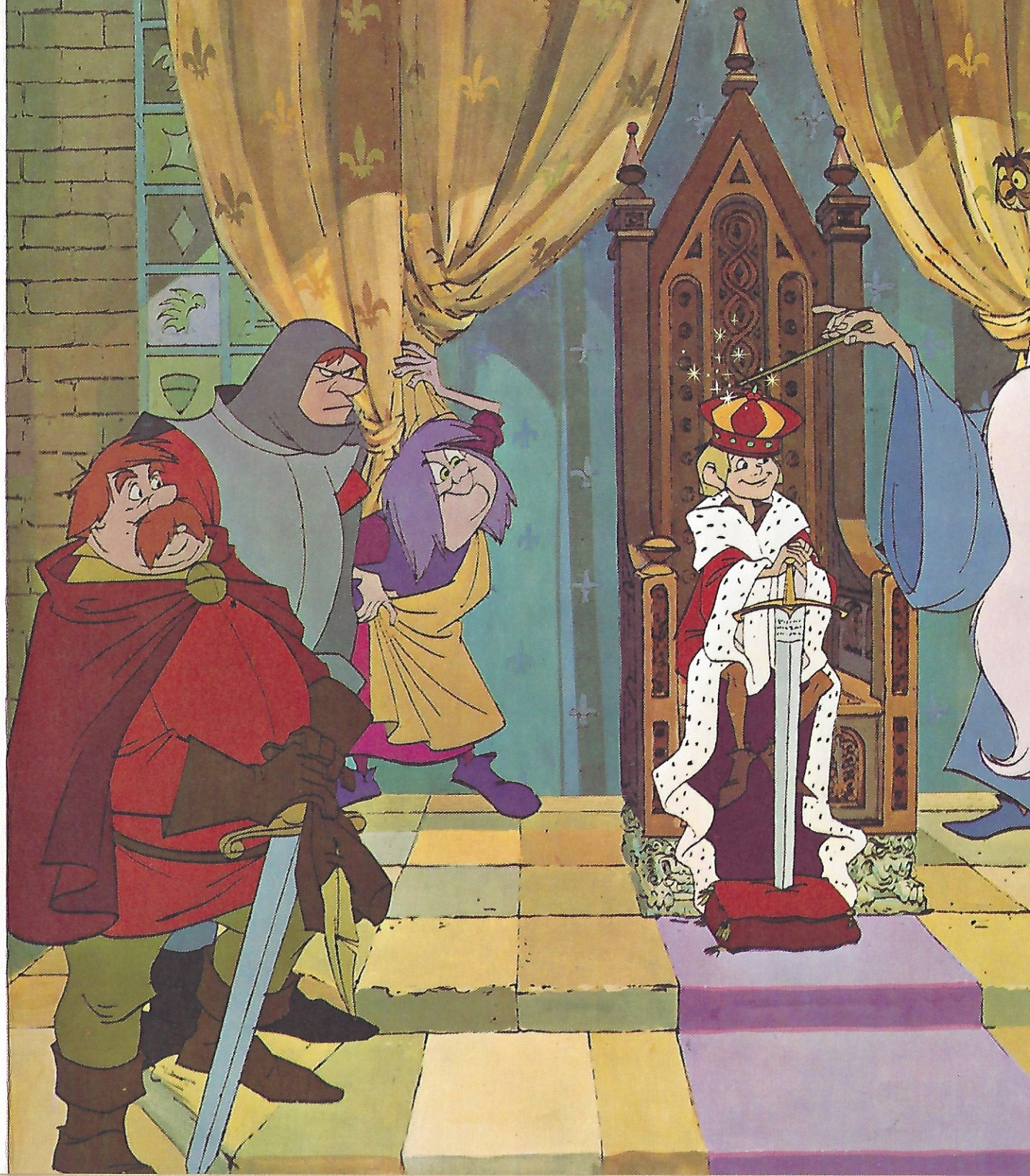
## **FUNDS AVAILABLE**

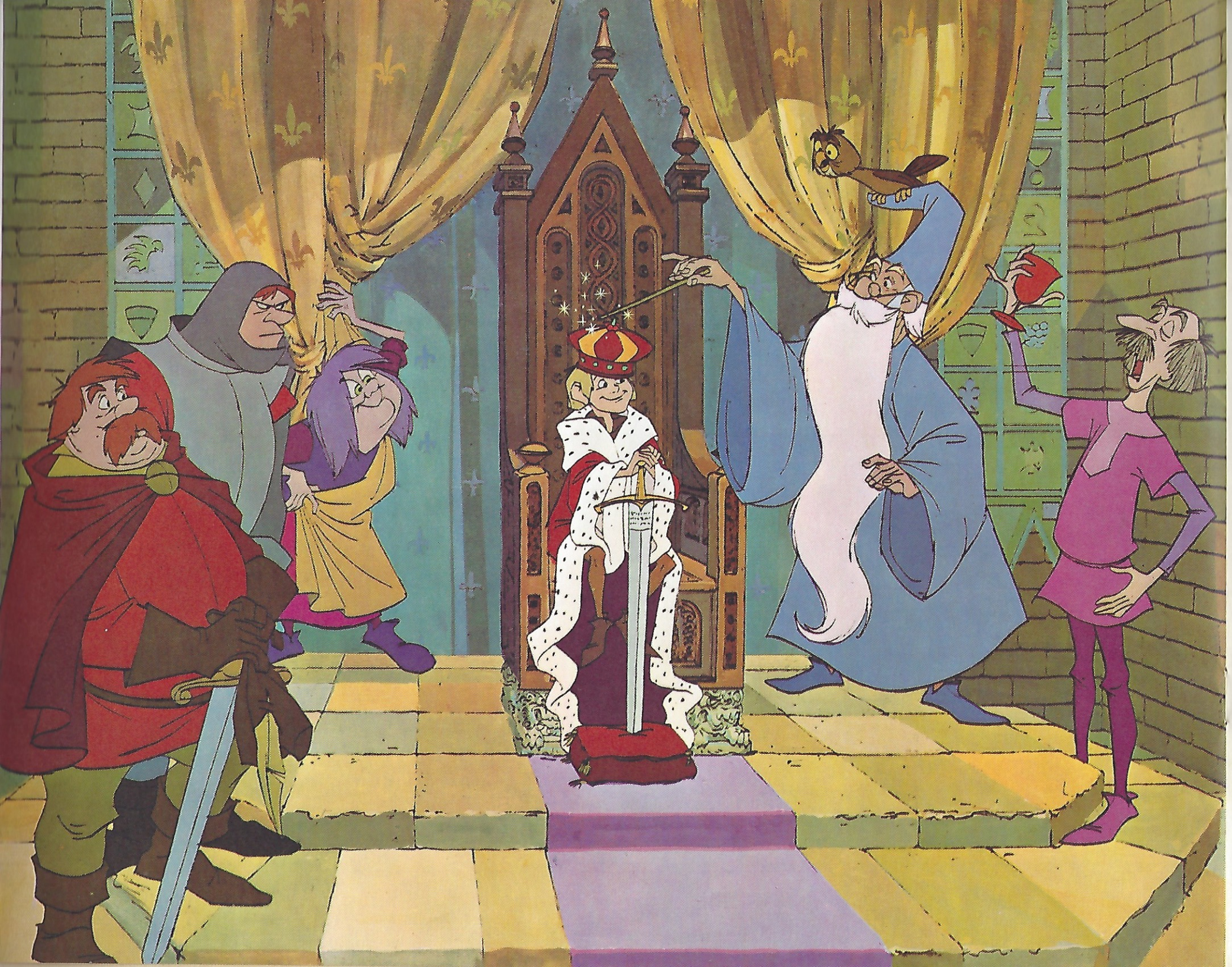
Profit for the year . . . . .	\$ 6,574,321
Depreciation and amortization of plant and equipment . . . . .	3,692,450
Proceeds from exercise of stock options (2,694 shares) . . . . .	84,825
	<u>\$10,351,596</u>

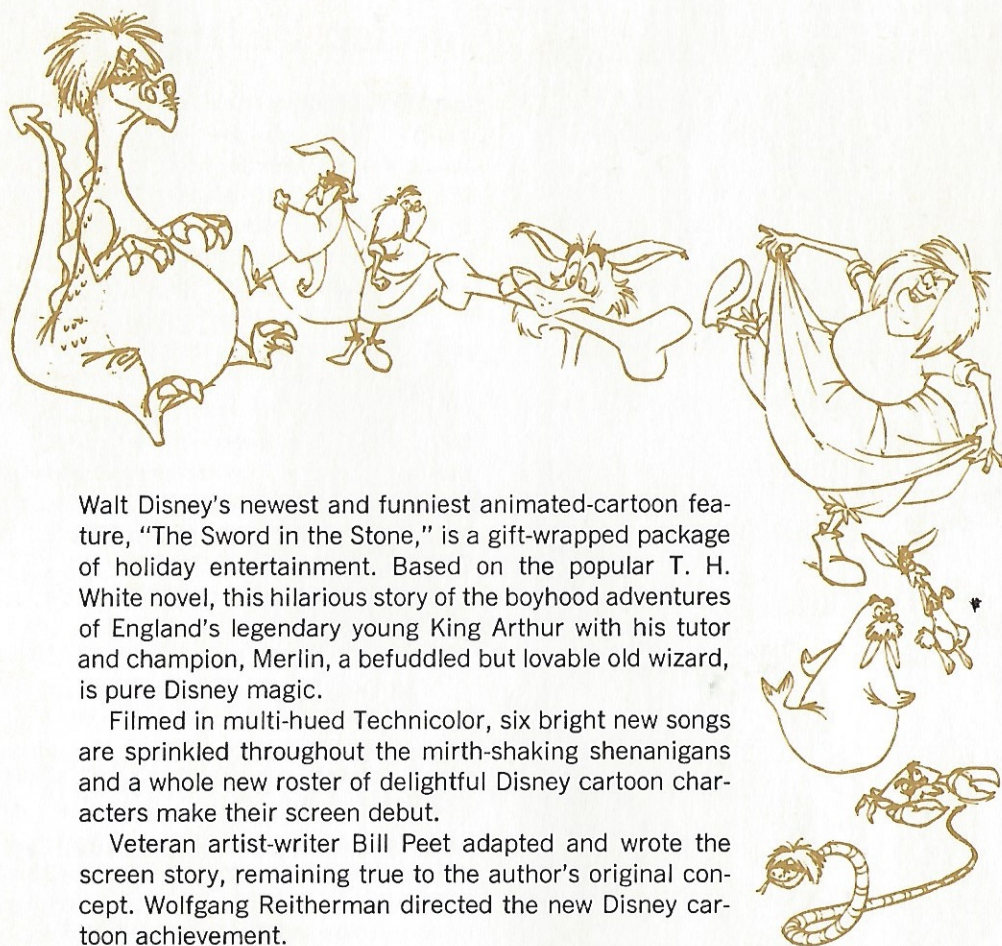
## **FUNDS APPLIED**

Additions to plant and equipment . . .	\$ 4,548,691
Payment on Prudential long term note . .	2,500,000
Cash dividends . . . . .	685,114
Other . . . . .	306,535
Funds reserved for current portion of Prudential long term note . . . . .	1,250,000
Increase of working capital . . . . .	1,061,256
	<u>\$10,351,596</u>

# The Sword in the Stone







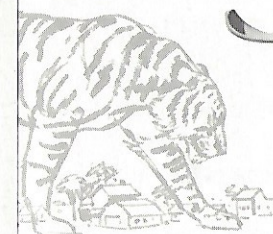
Walt Disney's newest and funniest animated-cartoon feature, "The Sword in the Stone," is a gift-wrapped package of holiday entertainment. Based on the popular T. H. White novel, this hilarious story of the boyhood adventures of England's legendary young King Arthur with his tutor and champion, Merlin, a befuddled but lovable old wizard, is pure Disney magic.

Filmed in multi-hued Technicolor, six bright new songs are sprinkled throughout the mirth-shaking shenanigans and a whole new roster of delightful Disney cartoon characters make their screen debut.

Veteran artist-writer Bill Peet adapted and wrote the screen story, remaining true to the author's original concept. Wolfgang Reitherman directed the new Disney cartoon achievement.



STER



nela Franklin  
color suspense  
escapes in a  
he effect it  
citizens.



REE LIVES OF  
nasina

's best-seller becomes a  
g motion picture in this  
anted cat and her effect  
three people in her life.  
echnicolor feature stars  
Patrick McGoohan and  
Susan Hampshire.





## PRODUCT

### Motion Pictures

Even greater diversification of subject than in the past, with increased stress on the importance of story, will be the rule during 1964 in the motion picture release schedule planned by Walt Disney Productions.

The range of material runs from the completely hilarious, as in "The Misadventures of Merlin Jones," to the musical in "Mary Poppins," and the dramatic in "A Tiger Walks."

Eight major properties are in some stage or other of production, including, in addition to the above, "The Sword in the Stone," Walt's biennial cartoon feature presentation, "The Three Lives of Thomasina," "Emil and the Detectives," "The Moon-Spinners" and "Those Crazy Callows."

Seven are based on books of fame and quality, each possessing the pre-sale value so important to drawing ticket-buyer attention.

"The Sword in the Stone" has been adapted from T. H. White's widely-read novel, while "A Tiger Walks" is based on Ian Niall's suspenser. "The Three Lives of Thomasina" is a filmization of Paul Gallico's great best-seller, "Thomasina." "Those Crazy Callows" had its origin in Paul Annixter's moving story, "Swiftwater;" "Emil and the Detectives" is an Erich Kastner original; "The Moon-Spinners" derives from Mary Stewart's best-seller, and "Mary Poppins" has been drawn from P. L. Travers' delightful Mary Poppins books.

No effort has been spared in casting. Internationally important drawing cards like Julie Andrews and Dick Van Dyke appear in "Mary Poppins," Hayley Mills in "The Moon-Spinners," Tommy Kirk and Annette in "Merlin Jones," Walter Slezak in "Emil and the Detectives," Vera Miles and Brian Keith in "A Tiger Walks," and Brandon de Wilde and Walter Brennan, with Miss Miles and Keith, in "Those Crazy Callows."



**JANUARY**

## THE MISADVENTURES OF MERLIN JONES

*Way-out comedy and campus cut-ups keynote this hilarious teen-age romp about a kooky young egg-head, his wacky experiments and his romantic rivalry. Tommy Kirk and Annette are teamed in the Technicolor feature.*



**EASTER**



## a Tiger Walks

*Brian Keith, Vera Miles, Pamela Franklin and Sabu star in this Technicolor suspense drama of a Bengal tiger that escapes in a fog-bound community and the effect it has on the lives of the local citizens.*



**MAY**

## THE THREE LIVES OF Thomasina

*Paul Gallico's best-seller becomes a heartwarming motion picture in this story of an enchanted cat and her effect on the three people in her life. The Technicolor feature stars Patrick McGoochan and Susan Hampshire.*



*The inimitable Hayley Mills stars in Mary Stewart's suspense story of mystery and romance in the Greek Islands. Eli Wallach, Joan Greenwood, Irene Papas, Pola Negri and newcomer Peter McEnery are also starred in the Technicolor thriller.*



## *The Moonspinners*

**JULY**



## **EMIL** and the **DETECTIVES**

*This Technicolor comedy-satire of "foreign intrigue" movies stars Walter Slezak and two talented youngsters, Bryan Russell and Roger Mobley, in the adventures of a group of youngsters hot on the trail of petty crooks in modern-day Berlin.*

**CHRISTMAS**



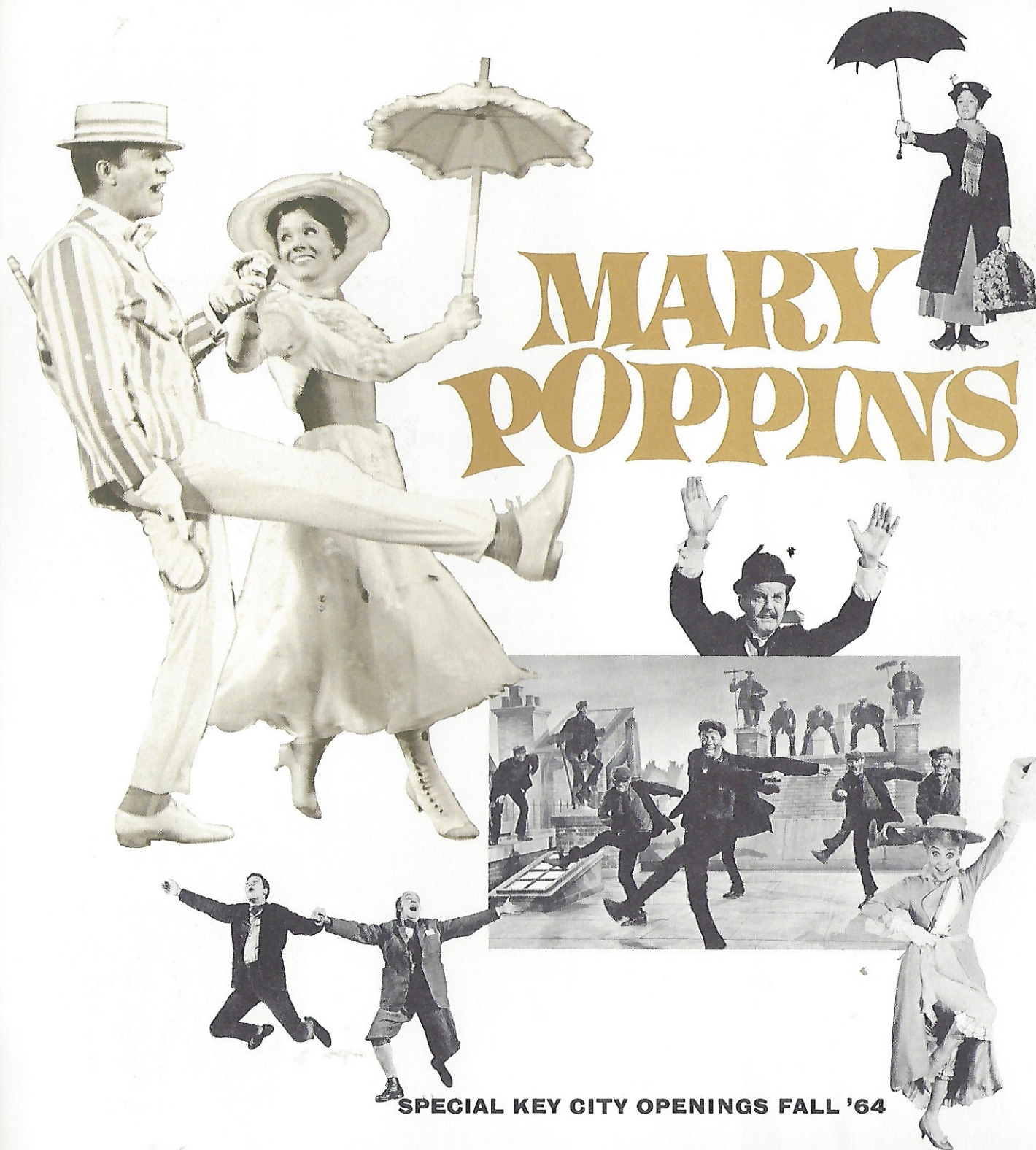
**JANUARY '65**



## Those crazy Calloways

*The warm, human drama of a man and his dream of a wildlife sanctuary stars Brian Keith, Vera Miles, Brandon de Wilde, Walter Brennan, Ed Wynn and newcomer Linda Evans. Authentic Vermont locales and Technicolor photography enhance the story.*





"Supercalifragilisticexpialidocious" is the name of a tune and the one superlative that best describes Walt Disney's forthcoming musical-fantasy, "Mary Poppins." It is all of this and more.

Starring the incomparable Julie Andrews of "My Fair Lady" and "Camelot" fame in her screen debut, popular TV comedian Dick Van Dyke, and two British stars of stage and screen, David Tomlinson and Glynis Johns, this delightful motion picture is exciting entertainment for everybody everywhere.

Based on the widely-read "Mary Poppins" books by P. L. Travers, this whimsical tale of an English nursemaid, endowed with amazing and magical powers, and her fantastic adventures with her many friends along London's Cherry Tree Lane, co-stars Ed Wynn, Hermione Baddeley, Elsa Lanchester, Arthur Treacher, Reginald Owen, Jane Darwell, Reta Shaw and two new young discoveries, Karen Dotrice and Matthew Garber.

Filmed in brilliant Technicolor, this tune-filled story is being readied for a special pre-release engagement in October.

**SPECIAL KEY CITY OPENINGS FALL '64**



## Television

### WONDERFUL WORLD OF COLOR



*Bristle Face*

"Walt Disney's Wonderful World of Color" continues to improve its audience and its position in television as an established favorite of long standing. It also continues to help sell color sets, a fact noted with appreciation by the trade and general press.

The 1964-1965 TV season marks Walt's tenth year in the medium. This fall he embarks on his fourth season with NBC in color.

The show's broad appeal has been evident in its consistently high ratings during the current season, which still holds many hours of superb entertainment. The remainder of the schedule includes "The Ballad of Hector, the Stowaway Dog," in two parts, the hilarious tale of a friendly, sea-going airedale aboard a freighter bound for romantic ports like Majorca, Lisbon and Barcelona.

Through an intriguing combination of animated-cartoons and live-action photography, the zany Professor Ludwig von Drake conducts a fun-filled tour to such exotic places as Portugal, Sardinia, Morocco and Italy in "Mediterranean Cruise."

"The Scarecrow of Romney Marsh," a series of three one-hour shows, tells the vivid, adventure-packed story of an English vicar who revolted against King George III's severe taxation laws and by night, as the Scarecrow, led a band of smugglers in rebellion against the crown.

Brian Keith and young Phillip Alford (of "To Kill a Mockingbird") are starred in a two-parter, "Bristle Face," the nostalgic story of an appealing mutt and his escapades in a small Tennessee town during the early 20's.

Veteran actor-comedian Ed Wynn stars with a group of talented youngsters in the heartwarming comedy, "For the Love of Willadean," a two-part presentation. A roaming retriever and dachshund make a fantastic journey through the rugged mountains and lush forests of Hungary in the exciting "Legend of Two Gypsy Dogs," and the Brazilian jaguar and his struggle for survival in the rain forest along the Amazon is revealed in the action-packed True Life Adventure, "The Jungle Cat."

*Jungle Cat*



*The Scarecrow of Romney Marsh*



*In Shape with Von Drake*



*For the Love of Willadean*

*Mediterranean Cruise*



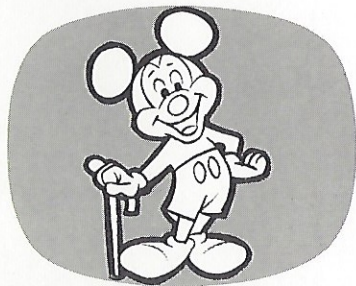
*The Legend of Two Gypsy Dogs*



*Greyfriars Bobby*



*The Ballad of Hector,  
the Stowaway Dog*



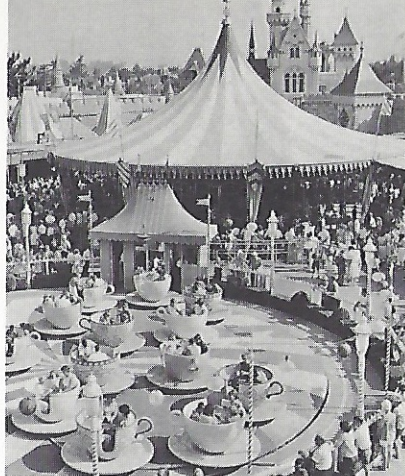
## **MICKEY MOUSE CLUB**

"The Mickey Mouse Club," still one of the biggest attractions in children's television, is midway through its second year of syndication, with its success dictating plans for still a third season. These plans are nearing finalization with new footage to be included.

The Club's audience of 10,000,000 viewers is comparable to the "Wonderful World of Color" reception in that the sets in use during its time period are considerably less than those in the period occupied by the weekly show.

During its first season the Club was aired on 80 stations. A number of new stations were sold first-season programs this year. These, added to stations that continued into second-season airing, bring our total number of stations to 97.





## Disneyland Park



During the past year Disneyland Park welcomed its largest crowds since opening day — July 18, 1955. Total attendance for the fiscal year was 5,643,398, an increase of 566,411 or 11 per cent over the previous year's record.

By mid-January more than 40,000,000 people will have visited the park since its gates first opened a little over eight years ago.

At that time, Disneyland Park represented an investment of \$17,000,000, and included five lands with 22 major attractions.

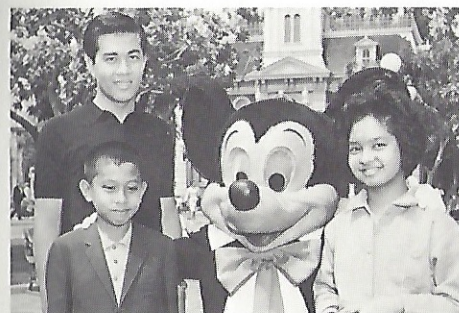
Today the corporate investment is up to \$42,500,000 with 47 adventures to thrill young and old alike.

Special and Summer night time entertainment was an important factor in attracting new crowds to the Magic Kingdom.

Disneyland was really jumping, dancebandwise, in the U.S. for the Summer and early Fall, and may have put the old name-band business back on the national musical map. Les Brown, Gene Krupa, Charlie Barnett, Lionel Hampton, Count Basie, Harry James and, with Tex Beneke at the baton, the sounds of the late Glenn Miller attracted throngs of nostalgic fans to the park to recapture the smooth and melodious big-band era.



*Date Nite continued to lure the teenagers from all over Southern California and the popular Grad Nite parties attracted thousands of graduating high school students from Needles to Santa Barbara.*

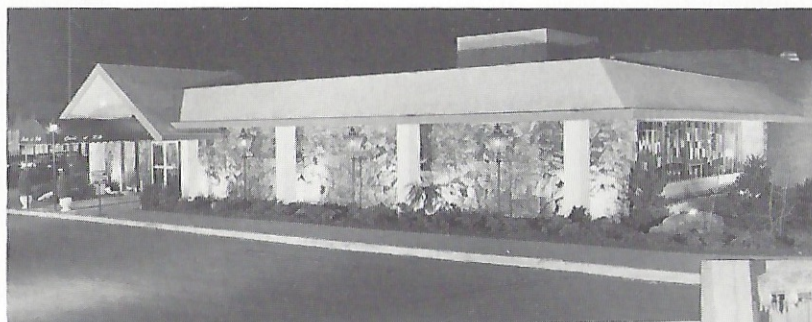


*Mickey Mouse, Disneyland's official greeter, welcomes the children of Philippine President Macapagal to the "Magic Kingdom."*

*President Sarvepalli Radhakrishnu of India tours the park with Walt Disney.*



# Celebrity Sports Center



A new concept in family recreation, Celebrity Sports Center in Denver, Colorado continues to draw enthusiastic response from patrons throughout the Rocky Mountain area. Eighty bowling lanes, an indoor Olympic size swimming pool, complete restaurant services and specialty shops comprise this unique complex, owned by Walt Disney Productions.

The new Cart 'n Rib Room is attracting scores of Coloradans, with its friendly service, eye-catching decor and superb cuisine. Choice prime rib, with authentic Old English Yorkshire Pudding and a mild horseradish sauce are the specialties of the house, all served from attractive food carts.

Splash parties in the indoor, heated pool every Friday night are attracting teenage crowds with their special events and entertainment. A "Learn to Swim" program for the very young is also proving a successful innovation.



LOOK TO THE NAME *Walt Disney* FOR THE FINEST IN FAMILY ENTERTAINMENT

