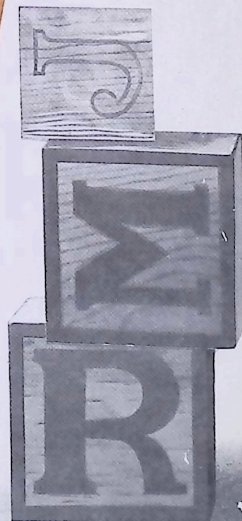
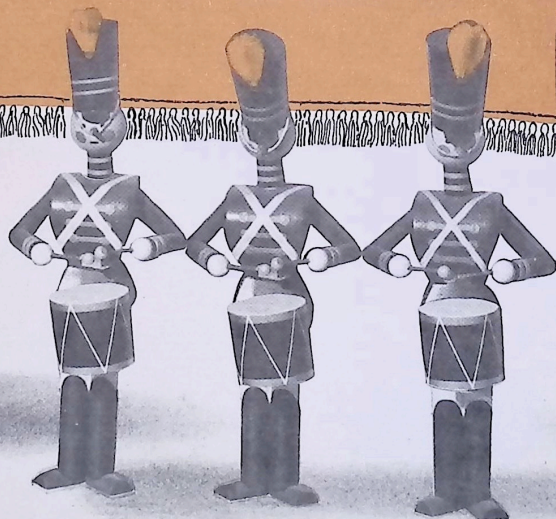
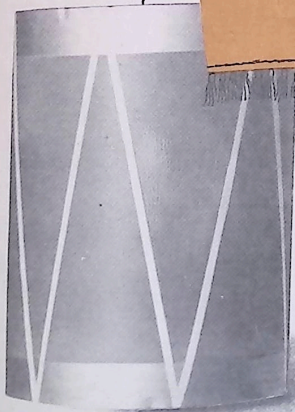


Walt Disney *productions*
ANNUAL REPORT
to shareholders and employees

FISCAL YEAR ENDED SEPTEMBER 30, 1961



Walt Disney Productions

500 South Buena Vista Street, Burbank, Calif.

FISCAL YEAR ENDED SEPTEMBER 30, 1961

Board of Directors

†Walter E. Disney	Burbank, California
*Roy O. Disney	Burbank, California
George L. Bagnall	Beverly Hills, California
*Gunther R. Lessing	Burbank, California
William H. Anderson	Burbank, California
*E. Cardon Walker	Burbank, California
Gordon E. Youngman	Beverly Hills, California

Youngman, Hungate and Leopold — Attorneys
 †Executive Producer — in Charge of All Production
 *Member, Executive Committee



Officers

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

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STOCK TRANSFER AGENTS:	Bank of America, N.T. & S.A., Los Angeles, California Bankers Trust Company, New York, N.Y.
STOCK REGISTRARS:	California Bank, Los Angeles, California First National City Trust Company, New York, N.Y.
STOCK EXCHANGES:	The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.
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.

NEW YORK CITY — Highly gratified by the quality of programs, top viewing ratings and the significant contribution made by Walt Disney's "Wonderful World of Color" to the record-breaking sale of color TV sets, National Broadcasting Company has renewed the Disney contract for the next two years, covering the 1962-1963 and 1963-1964 seasons.

At the same time NBC made the interesting announcement that two Disney "specials," each two full hours long, will be seen on the Sunday night show during the 1962-1963 season. These are "Born to Sing," a story of the Vienna Choir Boys, authentically photographed in beautiful Vienna, and "The Magnificent Rebel," which relates the fascinating life of Beethoven. Both of these shows are nearing completion, and are regarded as two of the finest television productions ever filmed by the Disney organization. One will be televised in the Fall of 1962 and the other is scheduled for the Spring of 1963.

NEW YORK CITY — **BABES IN TOYLAND**, Disney's first all live action musical comedy, broke a three year record for the first week of the holiday season at the Radio City Music Hall. The picture, in addition to its success at the Music Hall, opened in every major key center in the United States, Canada, and Great Britain. Early theatre reports are highly satisfactory, despite the handicap of extremely bad weather in many areas.

LONDON, ENGLAND — Our London sales executives report that a Walt Disney picture will play in 2,000 theatres throughout the United Kingdom during the holiday season. Heading the list of this phenomenal coverage was **BABES IN TOYLAND**; with **NIKKI, WILD DOG OF THE NORTH, PINOCCHIO, THE ABSENT MINDED PROFESSOR, ONE HUNDRED AND ONE DALMATIANS**, and **THE PARENT TRAP** also in wide distribution. We are advised that never in the history of the motion picture industry has such a saturation playing of any producer's films been seen in Great Britain.

LONDON, ENGLAND—A double-barrelled triumph for Walt Disney and one of his great young discoveries, Hayley Mills, has just been recorded here in a nation-wide poll of all British exhibitors conducted by the Kine Weekly, Britain's outstanding motion picture trade paper. Disney's **SWISS FAMILY ROBINSON** was voted the biggest box office attraction of 1961, and Walt was also named the producer having the most consistent and outstanding films during the year.

This is quite a turn in the road when an American producer of family entertainment has been voted this honor, and indicates the British public, as in America, is turning more and more toward wholesome family film fare.

Young Hayley Mills, now fifteen years old, was named **BRITAIN'S TOP STAR OF THE YEAR**, for her brilliant characterizations in two Disney pictures, **POLLYANNA** and **THE PARENT TRAP**, and in a

British film, **WHISTLE DOWN THE WIND**. In winning this honor, Hayley outdistanced such great stars as Sophia Loren and Audrey Hepburn. She also was credited with **THE BEST INDIVIDUAL PERFORMANCE**, beating her own dad, John Mills, and other outstanding players like Sir Alec Guinness and Lawrence Harvey.

Hayley has just completed a starring role in Walt Disney's **THE CASTAWAYS** in which she shares top credits with Maurice Chevalier and George Sanders. "I am thrilled and delighted" Hayley said on hearing the news, "but I cannot really believe it." However, millions of movie-goers throughout the world will agree she was entitled to the distinction for her wonderful performances.

NEW YORK CITY — Walt Disney has been accorded high tribute around the globe, as attested by the nearly 700 awards he has received, but none more appreciated than the special commendation given him by the Episcopal Committee for Motion Pictures of the Catholic Church. The following statement was issued recently by the Committee: "On the occasion of their annual meeting in Washington, the Episcopal Committee for Motion Pictures, Radio and Television directed that a special commendation be extended to Mr. Walt Disney and his associates for the outstanding contributions which their films made to family entertainment during the past year. In citing Buena Vista (Walt Disney Productions' wholly-owned distribution subsidiary) for its praiseworthy achievements, the Committee wishes to express the enthusiastic gratitude and appreciation of Catholic families everywhere across the nation."

MIAMI, FLORIDA — Based on a poll conducted among members throughout the United States, The Allied States Association of Motion Picture Exhibitors voted Walt Disney the producer of the year. At their annual dinner here, the allied award was accepted by Irving Ludwig, President of Buena Vista, on behalf of Walt, who was in London. Walt Disney was selected for this great honor for "outstanding production contributions and excellent entertainment values of your pictures in 1960 and 1961."

TOKYO, JAPAN — Not only here in Japan but throughout the Far East and Australia, Walt Disney's **SWISS FAMILY ROBINSON** proved one of the biggest motion picture holiday attractions in years. Japanese audiences swarmed to theatres where the picture was featured, completely dubbed in the Japanese language. Reports from all other areas where it played, including Australia, were equally enthusiastic.

PARIS, FRANCE — Our Paris office reports that **ONE HUNDRED AND ONE DALMATIANS**, all animated Disney feature, dubbed in French, Italian, German, Spanish, Portuguese and Swedish, played in 80 key centers from Stockholm to Rome during the holiday season.



To Our Shareholders and Employees...

Although it is pleasant to contemplate the record-breaking year our company just enjoyed, in this creative business of ours you never can stand still.

Consequently we are now developing new properties to be filmed this year for release in 1963, for we are in the fortunate position of having virtually completed our entire slate of feature releases for the twelve months of 1962.

The stories we are working on give assurance that we will have another group of top attractions, again starring some of the biggest names in motion pictures.

Our 1961 successes are mainly the result of our creative organization's ability to open new doors of entertainment values with both broad and specific appeals to mass audiences. Our 1962 schedule of six major releases has this same characteristic — a wide range of story appeal including musicals, adventure, comedy, and human interest. They are: *BABES IN TOYLAND*, *MOON PILOT*, *BON VOYAGE*, *THE LEGEND OF LOBO*, and *THE CASTAWAYS*. I feel the calibre of all these pictures assures us another fine year.

Opening our new season was *BABES IN TOYLAND* adapted from Victor Herbert's famous operetta, and which marks our first live-action musical production. As you may have noted, supported by our biggest promotional and sales campaign ever, *BABES IN TOYLAND* played during the holiday season in key situations throughout the United States, Canada and England, following its premiere at the Radio City Music Hall in New York City. We have high hopes for this production with its great cast including Ray Bolger, Tommy Sands, Annette, Ed Wynn, Tommy Kirk, Henry Calvin, Gene Sheldon, Mary McCarty, Kevin Corcoran, and many others.

For our general Easter release we open up another entertainment door with an "out of this world" comedy, *MOON PILOT*, based on the hilarious Saturday Evening Post serial by Robert Bruckner. This is a very timely subject, and we have treated it strictly from the laugh stand-point. Tom Tryon plays a reluctant astronaut, with Brian Keith and Edmund O'Brien, as a frustrated General and Security Agent, respectively. After a concentrated search for a girl "from outer space," we found Dany Saval, a beautiful young actress in France, and I'm sure she is going to send a lot of male hearts racing as fast as a missile into the blue yonder.

I am most enthusiastic about *BON VOYAGE*, from the book by Joseph and Marrijane Hayes, which we filmed in New York, on the liner *United States*, in Paris, on the Riviera, and here in Hollywood. Fred MacMurray, a master of comedy, Jane Wyman, Michael Callan and Deborah Walley have brought alive this tale of a typical American family touring Europe as a really top comedy, somewhat in the tradition of *THE PARENT TRAP*. *BON VOYAGE* is scheduled for theatres this summer.

Following **BON VOYAGE** we will bring out **THE LEGEND OF LOBO**, based on the story by the famous author, Ernest Thompson-Seton. In this picture, man works and carries out his threats on the edge of the world of wolves wherein Lobo, bravest and smartest of the breed, tries to preserve his kind. This is more than a True Life Adventure; it's a tale of the old West, with drama and plot told in song and spoken narration.

As this is written, I am taking off for England to view the first rough cut of **THE CASTAWAYS**, another of Jules Verne's great adventure stories. Young Hayley Mills, who has become one of the screen's top box office attractions, will be starred with the wonderful veteran, Maurice Chevalier, George Sanders, Michael Anderson, Jr. and Wilfred Hyde White. This feature is planned for our next Christmas season, and I am confident that it will rival the holiday success achieved by **BABES IN TOYLAND** and **SWISS FAMILY ROBINSON**.

Work on T. H. White's fascinating story of young King Arthur and Merlin the Magician, **THE SWORD IN THE STONE**, our next animated feature, is progressing very smoothly. Release date is yet to be set.

With our first season in color television just getting well under way, **WONDERFUL WORLD OF COLOR** has proved eminently successful, and our sponsors, RCA and Eastman Kodak Company, are mutually satisfied. RCA informs us there has been a record-breaking sale of color TV sets recently, which is most gratifying to us. The ratings for **WONDERFUL WORLD OF COLOR** indicate wide acceptance of the subjects we selected for televising thus far. However, as a result of our initial experience in color television, I am certain we will have a much better and more varied lineup of programs for our second year in the medium. We will continue to traverse the globe to bring the highest calibre entertainment to **WONDERFUL WORLD OF COLOR**.

DISNEYLAND PARK again is in for considerable expansion. A highly competent staff of designers and architects is now working on projects that will involve an expenditure of several million dollars for new and appealing attractions due for opening in 1962 and 1963. One of these will be the Tree House, inspired by the fantastic one in **SWISS FAMILY ROBINSON**. It will rise 60 feet into the air and is certain to be an outstanding addition to the Park this year. Included also is the development of a New Orleans area in Frontierland, which is a two year project; preparations for The Haunted Mansion; and a new adventure, "The Pirates of The Caribbean," which will open in 1963. Then there will premiere this year several new and exciting concepts in restaurants under the direction of the famous Stouffer restauranteers which will include a beautiful Tahitian dining area and in the same vicinity a wonderful new American-style eating place.

I am truly excited about everything we are doing here and to our staff of great creative men and women, my sincere appreciation and thanks for it all.

Walt Disney



The President's Letter...

Operations

Consolidated net profit after taxes of Walt Disney Productions and its domestic subsidiaries (four wholly-owned) for the fiscal year ended September 30, 1961 was \$4,465,486 representing \$2.75 per share on the 1,626,023 shares outstanding at the fiscal year end.

The 1960 fiscal year operations resulted in a loss of \$1,342,037 equal to 83 cents per share on the 1,626,023 shares then outstanding. As reported last year this loss was after a net write-down of inventories of \$5,006,000, which subsequent experience has justified.

Provision for income taxes of \$5,322,000 was made for 1961 which compared with a net income tax credit of \$1,300,000 for 1960.

Gross income for the year was \$70,247,772, an increase of \$19,316,788 over the \$50,930,984 reported for 1960. Film rentals for the year were \$41,159,729, an increase of \$18,229,980 over last year; Disneyland Park revenues this year were \$18,997,637, up \$897,101 over last year; television income this year amounted to \$5,093,290, an increase of \$95,351 over last year; and all other income this past year from publications, newspaper comic strips, licensed cartoon characters, music and records was \$4,997,116, up by \$94,356 over last year.

Financial

After approval by the stockholders on May 16, 1961, Disneyland, Inc., a wholly-owned subsidiary of the Company and operators of Disneyland Park, was merged into the Company on May 29, 1961. The rights and equities of the stockholders of the Company were not affected by the merger. Subsequent to the merger date certain desirable simplifications of financial, accounting, legal, and administrative procedures have been accomplished with resultant savings to the Company.

As a result of the merger of Disneyland into Walt Disney Productions, the Company consolidated two outstanding long-term loans, (1) \$10,000,000 fifteen year, 5¾%, unsecured notes of Walt Disney Productions, and (2) \$5,000,000 twelve year, 6¼%, unsecured notes of Disneyland, Inc., into one unsecured \$15,000,000, 5.9% note, due in installments from 1964 to 1975.

At the end of our fiscal year, long-term debt was \$15,000,000, with no current bank loans, compared with the prior year end current bank loans and long-term debt of \$32,105,406, a debt reduction of \$17,105,406. This dramatic reduction in current bank loans and long-term debt was the result of the fine

grossing performance of our top attractions — SWISS FAMILY ROBINSON, 101 DALMATIANS, THE ABSENT MINDED PROFESSOR and THE PARENT TRAP, and other favorable factors.

Cash flow and debt reduction for the year is summarized as follows:

Amortization of film and television production costs, less additions to inventory	\$ 6,183,285
Depreciation, less new capital additions	1,505,940
Federal income tax refund received	2,882,000
Net profit, after taxes	4,465,486
Provision for estimated taxes on income	5,322,000
Net change in other assets and liabilities	228,291
Total cash flow	\$20,587,002
Less:	
Cash dividends paid	\$650,409
Investment in Celebrities Bowling, Inc.	927,000
Increase in cash	1,904,187
	<u>3,481,596</u>
Total current bank loans and long-term debt reduction	<u>\$17,105,406</u>

In late August 1961, the Company acquired effective working control of Celebrities Bowling, Inc., the details of which are outlined in the Proxy Statement and referred to in Note 3 to the financial statements. CELEBRITIES operates a newly constructed recreation center in Denver consisting of an 80-lane bowling alley, Olympic-size swimming pool with stadium, restaurant, coffee shop, Hofbrau, related facilities and parking lots. This activity represents a new amusement diversification opportunity for the Company.

Dividends

Four regular quarterly cash dividends totaling 40 cents per share and aggregating \$650,409 were declared during the year and paid to stockholders January 1, April 1, July 1, and October 1, 1961.

In view of the operating loss of the Company in 1960, the stock dividend was necessarily omitted in 1961. The Board of Directors at their regular quarterly meeting held on November 9, 1961, declared a quarterly cash dividend of 10 cents per share and a 3% stock dividend, each payable January 20, 1962, to stockholders of record December 22, 1961.

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

Disneyland Park

Disneyland Park had a good year with total attendance of 4,702,397 as compared with 4,914,167 last year. This slight decrease was about one-third of the national average drop in attendance for amusement and resort activities across the United States as reported by statistical surveys. The extended Monorail system has been very successful.

Over the next two years we are planning to invest approximately \$6,000,000 in new rides and attractions, as described in Walt Disney's letter, which will be financed by operating revenues from the Park.

Television

Beginning on September 24, 1961, our weekly "Walt Disney's Wonderful World of Color" hour show was telecast nationally, and in color, over the National Broadcasting Company Television Network. Recent statistical surveys indicate that our televised show is being viewed each week by approximately 39,000,000 people, representing about 13,000,000 homes.

Other Income

The names, characters, music and other creative values flowing from our theatrical motion pictures, television shows and Disneyland Park, are marketed and exploited by divisions, wholly-owned subsidiaries or agents of the Company in practically every country of the free world.

Our Phonograph Record Division continues to grow in volume. During the past year the release of our records has been more closely coordinated with the release of our theatrical pictures, proving most effective in the exploitation and promotion of both records and pictures.

Our phonograph records are released under two labels — the Disneyland label for children's records, and the Buena Vista label for popular recordings. The Disneyland children's records have now become a best-selling line in this field in the United States, and we anticipate a steady and profitable growth in this line.

Publications, newspaper comic strips, and character merchandising activities continue to provide an important volume of profitable business for our Company around the world.

Method of Accounting for Revenue

Reference is made to Note 8 on page 13, which sets forth the Company's established accounting practice, consistently maintained in all prior years and in the year under review, to record domestic and foreign film rentals at the time of receipt in dollars, or at the time of expenditures of foreign currencies abroad for the account of the Company.

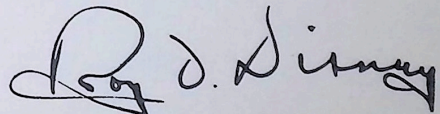
This past year the exceptional bookings and extended playing time of THE PARENT TRAP and NIKKI, WILD DOG OF THE NORTH in the last several weeks of the fiscal year resulted in unrecorded, estimated domestic film rentals of approximately \$5,000,000 at year end, which compares with approximately \$1,000,000 in the two prior year ends.

While these estimated film rental billings are substantially more than we have enjoyed at any prior year end, we have followed the consistent accounting practice of only recording in our income account money actually received. This practice is particularly necessary today when many film rental contracts are subject to possible adjustment after the exhibitor has shown the picture.

The Future

Additional revenues, both domestic and foreign, yet to come from SWISS FAMILY ROBINSON, 101 DALMATIANS, THE ABSENT MINDED PROFESSOR, and THE PARENT TRAP, combined with a strong lineup of new theatrical product for 1962, as mentioned in Walt Disney's letter, will, we believe, produce good profits for the 1962 fiscal year.

December 14, 1961



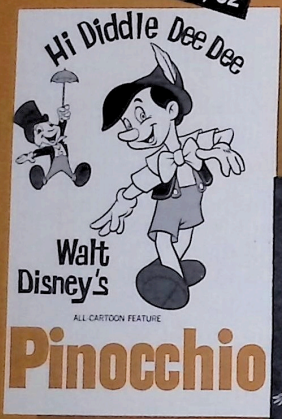
President



the
DISNEY
PARADE

of family motion picture hits
marches on!

FEBRUARY, 62



EASTER, 62



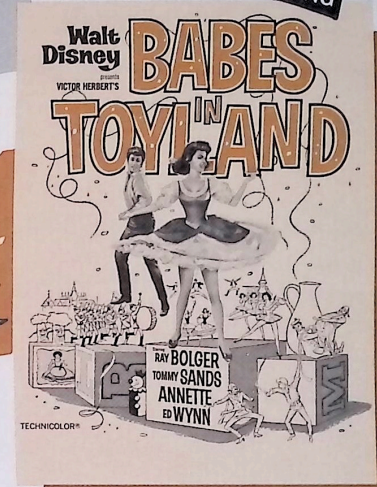
- 1962
- BABES IN TOYLAND
 - MOON PILOT
 - PINOCCHIO
 - BON VOYAGE
 - THE LEGEND OF LOBO
 - THE CASTAWAYS



JUNE, 62

FRED MacMURRAY
JANE WYMAN
MICHAEL CALLAN
DEBORAH WALLEY
TOMMY KIRK

NOW PLAYING

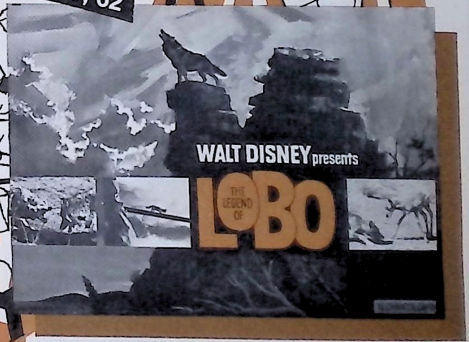


CHRISTMAS, 62



WALT DISNEY presents JULES VERNE'S
the Castaways
MAURICE CHEVALIER
HAYLEY MILLS
GEORGE SANDERS

JULY, 62



WALT DISNEY presents
THE LEGEND OF LOBO

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheet

Assets

	September 30 1961	October 1 1960
Current and Working Assets		
Cash, including \$1,000,000 in time deposits in 1961	\$ 3,881,041	\$ 1,976,854
Accounts receivable, less provision for doubtful accounts of \$24,000 and \$67,000	1,537,835	1,569,329
Estimated federal income tax recoverable		2,882,000
	<u>5,418,876</u>	<u>6,428,183</u>
Inventories, at the lower of cost or market (note 2) —		
Productions in process	15,242,081	15,047,629
Completed productions, less amortization	8,814,637	14,034,168
Story rights and pre-production costs	405,094	593,390
Merchandise, materials and supplies	1,767,110	2,737,020
Total inventories	<u>26,228,922</u>	<u>32,412,207</u>
Total current and working assets	<u>31,647,798</u>	<u>38,840,390</u>
Other Assets		
Investments in other companies (note 3) —		
6½% convertible notes, due in installments to 1975	650,000	
Common stocks	383,140	106,140
Investments in foreign subsidiaries not consolidated, less amortization (note 1)	99,309	63,657
Cash surrender value of insurance on lives of officers	434,031	393,364
Sundry other assets and deferred charges	902,534	183,313
	<u>2,469,014</u>	<u>746,474</u>
Plant and Equipment, at cost		
Studio and amusement park — buildings, equipment, rides and other depreciable assets (note 6)	36,956,229	35,734,180
Less — Accumulated depreciation and amortization	<u>17,879,506</u>	<u>15,108,918</u>
	19,076,723	20,625,262
Land	5,928,209	5,885,610
	<u>25,004,932</u>	<u>26,510,872</u>
	<u>\$59,121,744</u>	<u>\$66,097,736</u>

(See notes to the financial statements on pages 12 and 13)

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheet

Liabilities and Stockholders Equity

	<i>September 30 1961</i>	<i>October 1 1960</i>
Current Liabilities		
Bank loans		\$11,282,906
Current installments on long term liabilities		425,000
Accounts payable	\$ 2,007,906	2,217,580
Advances under contract	1,080,000	500,000
Payroll and employee benefits	1,551,444	1,618,943
Property, social security and other taxes	1,549,634	1,459,813
Estimated taxes on income (note 5)	<u>9,276,328</u>	<u>3,774,040</u>
Total current liabilities	<u>15,465,312</u>	<u>21,278,282</u>
Unearned Deposits and Rentals	<u>2,071,144</u>	<u>2,086,743</u>
Long Term Liabilities		
5.9% unsecured notes due in installments from 1964 to 1975 (note 4)	15,000,000	
Secured and unsecured notes retired in 1961		20,397,500
Deferred compensation	<u>360,000</u>	
	<u>15,360,000</u>	<u>20,397,500</u>
Estimated Future Federal Income Tax (note 6)	<u>1,800,000</u>	<u>1,725,000</u>
Stockholders Equity		
(Represented by \$2.50 par value common stock — 1,626,023 shares issued and outstanding of 3,000,000 authorized shares)		
Stated capital (note 7)	10,101,196	10,101,196
Other capital, per accompanying statement	3,706,899	3,706,899
Earnings retained in the business, per accompanying statement (notes 4 and 7)	<u>10,617,193</u>	<u>6,802,116</u>
	<u>24,425,288</u>	<u>20,610,211</u>
	<u>\$59,121,744</u>	<u>\$66,097,736</u>

(See notes to the financial statements on pages 12 and 13)



WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Statement of Income Account

	<i>Year Ended</i>	
	<i>September 30 1961</i>	<i>October 1 1960</i>
Income (note 8)		
Film rentals	\$41,159,729	\$22,929,749*
Television income	5,093,290	4,997,939
Amusement park income	18,997,637	18,100,536
Other income — from publications, newspaper comics, licensing cartoon characters, music and records	4,997,116	4,902,760
Total income	<u>70,247,772</u>	<u>50,930,984</u>
 Costs and Expenses		
Amortization of film and television production costs (note 2)	19,226,106	14,619,358*
Distribution costs — prints, advertising, etc.	11,161,783	10,102,881*
Costs of amusement park, other than depreciation	14,233,994	12,498,391*
Depreciation of amusement park (note 6)	2,444,742	2,264,073
Costs applicable to other income	3,346,123	3,701,914
General, administrative and selling expenses	7,625,526	7,512,044*
Interest	1,574,799	1,496,605
Stories and pre-production costs abandoned	847,213	1,242,539
Estimated taxes (<i>tax credit</i>) on income (notes 5 and 6)	<u>5,322,000</u>	<u>(1,300,000)</u>
Total costs and expenses	<u>65,782,286</u>	<u>52,137,805</u>
Profit (<i>loss</i>) before minority interest	4,465,486	(1,206,821)
Minority interest in profit of Disneyland, Inc.		(135,216)
	<u>\$ 4,465,486</u>	<u>\$ (1,342,037)</u>
 Profit (loss) for the year		
	<u>\$ 2.75</u>	<u>\$ (0.83)</u>
 Earnings (loss) per share		

*Certain amounts have been reclassified for comparative purposes.

(See notes to the financial statements on pages 12 and 13)

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Statement of Other Capital

	<i>Year Ended</i>	
	<i>September 30 1961</i>	<i>October 1 1960</i>
Balance at beginning of year	\$ 3,706,899	\$ 2,721,616
Excess of market value of shares issued as stock dividends over the par value thereof		1,482,695
Excess of equity acquired in Disneyland, Inc. over cost of investment therein at June 29, 1957 transferred to Land account		<u>(497,412)</u>
Balance at end of year	<u>\$ 3,706,899</u>	<u>\$ 3,706,899</u>

Consolidated Statement of Earnings Retained in the Business

	<i>Year Ended</i>	
	<i>September 30 1961</i>	<i>October 1 1960</i>
Balance at beginning of year	\$ 6,802,116	\$11,687,460
Profit (loss) for the year	4,465,486	(1,342,037)
Less - Adjustments from acquisition of minority interest in Disneyland, Inc. at July 6, 1960 -		
Cost of treasury stock acquired by Disneyland, Inc.		(2,002,500)
Equity acquired thereby in retained earnings		802,513
Dividends paid -		
In cash	(650,409)	(748,095)
In stock		<u>(1,595,225)</u>
Balance at end of year (notes 4 and 7)	<u>\$10,617,193</u>	<u>\$ 6,802,116</u>

Auditors Certificate

PRICE WATERHOUSE & CO.

530 West Sixth Street
Los Angeles 14

December 14, 1961

To the Board of Directors of Walt Disney Productions

In our opinion, the accompanying statements, with the explanation as to the method of accounting for revenue as set forth in note 8, present fairly the consolidated financial position of Walt Disney Productions and domestic subsidiaries at September 30, 1961 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. Disneyland, Inc., a wholly-owned subsidiary, was merged with and into the Company on May 29, 1961. Also during the year the Company organized a wholly-owned domestic subsidiary to undertake certain distribution activities previously handled directly by the Company in foreign countries.

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. Royalties, dividends and other revenues received from these companies are taken into income when received in United States dollars. The Company's equity in the net assets of unconsolidated foreign subsidiaries at September 30, 1961 exceeded the carrying value of its investments therein by approximately \$300,000. During the year ended September 30, 1961 the earnings of these unconsolidated subsidiaries amounted to approximately \$250,000 after provision for foreign and United States income taxes.

Note 2 Inventories and Amortization

Costs of completed theatrical productions are amortized by charge to 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. Costs of television product are classified by season of release and amortized on the basis of each season's income under network contracts for telecasting in the United States.

Note 3 Investments in Other Companies

On August 25, 1961 the Company purchased 2,770 shares (approximately 26%) of the capital stock of Celebrities Bowling, Inc., a California Corporation operating a recreational center in Denver, Colorado, and \$650,000 of its 6½% promissory notes, maturing \$50,000 annually commencing March 31, 1963 and convertible at any time at the option of the Company into 6,500 additional shares of Celebrities Bowling, Inc., capital stock. Should the Company exercise its conversion privilege it would own directly at least 51% of the then outstanding stock of Celebrities Bowling, Inc. Also, at September 30, 1961, the Company was a guarantor of outstanding bank loans to Celebrities Bowling, Inc., in the amount of \$175,000. Subsequent to that date the Company extended its guaranty of bank loans to a \$1,750,000 maximum.

Note 4 Long Term Liabilities

The agreement underlying the \$15,000,000 unsecured loan contains a minimum working capital requirement of \$15,000,000 for the Company and its domestic subsidiaries. The loan agreement also contains restrictions, effective October 15, 1961, under which \$8,588,000 of the \$10,617,193 earnings retained in the business at September 30, 1961 is restricted as to the payment of cash dividends.

Note 5 Estimated Federal Income Tax

Representatives of the Internal Revenue Service have completed an examination of the Company's federal income tax returns for the three years ended September 1956 and have proposed assessments of \$5,420,000 of additional tax. The assessments result primarily from proposed changes in the Company's method of accounting for the cost of television films and its long established method of amortizing the cost of theatrical motion picture films. The methods followed by the Company are in accord with practices generally followed in the industry. The proposed assessments made on these bases are considered by the Company as being without merit and are being vigorously protested. Accordingly, no provision therefor is considered necessary and none has been made in the accompanying statements. Provision has been made for possible additional taxes from all other adjustments proposed by the examining agent.

Representatives of the Internal Revenue Service also have completed their examination of the Disneyland, Inc. federal income tax returns for the years 1955 through 1959 and have proposed \$2,240,000 additional taxes relating primarily \$1,270,000 to the deferral for tax purposes of unearned deposits and rentals and \$800,000 to adjustments of depreciable lives of Park assets. Should the Company be unsuccessful in its protest to any assessment on these items 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 liability for federal income taxes.

Note 6 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 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 30, 1961 is included under the caption Estimated Future Federal Income Tax in the accompanying balance sheet.

Note 7 Stockholders Equity

Under the provisions of the Company's stock option incentive plan, 100,000 shares of authorized but unissued common stock are reserved for issue to executive and management personnel at not less than 95% of the fair market value of the stock at the time of granting the option and are exercisable in installments during a period of five years from the date granted. At September 30, 1961 there were no options outstanding or exercisable under the plan.

A 3% stock dividend was declared on November 9, 1961, payable on January 20, 1962 to holders of record on December 22, 1961.

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. At September 30, 1961 there was, at current rates of exchange, approximately \$1,600,000 (before distribution expenses, amortization of film production costs and income taxes) of currencies in foreign countries representing income which has not been reflected as an asset or as income in the accompanying statements.

The Company also records domestic film rental income upon receipt of remittances. This practice commenced with the distribution of the Company's original product through outside distributors and continued with the formation of the Company's own distribution subsidiary in 1954. In prior years the unrecorded amounts due from exhibitors, after provision for related distribution expenses, amortization of film production costs and federal income taxes, have not been significant in relation to total assets or to net income reported. However, at September 30, 1961, because of the unprecedented increase in the level of the Company's film rental income and the closeness to the fiscal year end of the release date of highly profitable pictures, this practice has resulted in a substantial increase in the unrecorded estimated domestic film rentals as compared with those at the beginning of the year. They will be accounted for in subsequent periods as received. While it is not feasible to attempt an exact determination of these amounts, the Company estimates them as follows:

	<i>Year Ended</i>	
	<i>September 30, 1961</i>	<i>October 1, 1960</i>
Unrecorded estimated domestic film rentals	\$ 5,000,000	\$ 850,000
Estimate of approximate unrecorded net income resulting from above film rentals, after provision for estimated possible adjustments, distribution expenses, amortization of film production costs and income taxes:		
At year end	1,250,000	100,000
Change during year	<u>1,150,000</u>	<u>Insignificant</u>

FISCAL YEARS ENDED SEPTEMBER 30	1961	1960	1959
OPERATIONS:			
Gross income	\$70,247,772	50,930,984	58,432,399
Costs and expenses			
Amortization of production costs	\$19,226,106	14,619,358	19,401,902
Interest expense	1,574,799	1,496,605	988,840
Other costs and expenses	39,659,381	37,321,842	30,323,062
Provision for taxes on income	5,322,000	(1,300,000)	3,900,000
Total costs and expenses	\$65,782,286	52,137,805	54,613,804
Minority interest in profit of Disneyland, Inc.		135,216	418,367
Profit	\$ 4,465,486	(1,342,037)	3,400,228
Net income applicable to common stock outstanding after giving effect to 2 for 1 stock split effective August 20, 1956			
In total	\$ 4,465,486	(1,342,037)	3,400,228
Per share	\$ 2.75	(0.83)	2.15
Number of common shares	1,626,023	1,626,023	1,581,011
FINANCIAL CONDITION:			
Current assets	\$31,647,798	38,840,390	35,945,216
Current liabilities	15,465,312	21,278,282	22,626,027
Net working capital	16,182,486	17,562,108	13,319,189
Land, buildings and equipment after deducting depreciation	25,004,932	26,510,872	21,898,841
Other assets and deferred charges	2,469,014	746,474	864,166
Unearned income	(2,071,144)	(2,086,743)	(1,785,007)
Long term liabilities	(15,360,000)	(20,397,500)	(6,266,200)
Minority interest in Disneyland, Inc.			(1,633,247)
Estimated future federal income tax	(1,800,000)	(1,725,000)	(2,000,000)
Stockholders equity	\$24,425,288	20,610,211	24,397,742
Net worth per common share after giving effect to 2 for 1 stock split effective August 20, 1956	\$ 15.02	12.68	15.43
STOCKHOLDERS EQUITY REPRESENTED BY:			
Common stock	\$10,101,196	10,101,196	9,988,666
Paid in surplus			
Other capital	3,706,899	3,706,899	2,721,616
Earnings retained in the business	10,617,193	6,802,116	11,687,460
Total stockholders equity	\$24,425,288	20,610,211	24,397,742

COMPARISON

1958	1957	1956	1955	1954	1953	1952
48,577,262	35,778,242	27,565,394	24,638,652	11,641,408	8,365,861	7,722,819
13,726,269	12,283,777	11,326,884	12,691,652	5,154,234	4,278,601	4,382,163
559,328	339,460	488,837	434,926	371,333	146,715	108,987
26,365,172	15,380,061	11,285,132	9,009,498	4,541,989	3,065,119	2,704,860
3,925,000	3,850,000	1,841,000	1,150,000	840,000	365,000	75,000
44,575,769	31,853,298	24,941,853	23,286,076	10,907,556	7,855,435	7,271,010
136,020	275,585					
3,865,473	3,649,359	2,623,541	1,352,576	733,852	510,426	451,809
3,865,473	3,649,359	2,623,541	1,352,576	733,852	510,426	451,809
2.51	2.44	2.01	1.04	.56	.40	.35
1,537,054	1,494,041	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680
30,401,444	23,837,673	18,990,463	14,715,445	15,413,949	11,180,534	9,694,882
15,032,591	15,090,986	14,323,495	11,914,474	10,982,120	6,387,794	4,870,348
15,368,853	8,746,687	4,666,968	2,800,971	4,431,829	4,792,740	4,824,534
18,274,959	17,124,683	3,466,107	3,560,100	2,639,566	2,177,317	1,728,588
684,020	749,388	4,702,152	3,360,016	1,052,793	394,116	208,467
(2,381,515)	(2,361,265)	(728,960)	(588,361)	(344,038)	(317,575)	(200,827)
(6,591,200)	(2,373,353)	(593,740)	(243,740)	(243,740)	(244,040)	(268,630)
(1,214,880)	(1,078,859)					
(1,935,000)	(1,825,000)					
22,205,237	18,982,281	11,512,527	8,888,986	7,536,410	6,802,558	6,292,132
14.45	12.71	8.82	6.81	5.77	5.21	4.82
9,878,774	9,770,890	6,000,000	6,000,000	6,000,000	6,000,000	3,264,200
						969,538
1,402,027	497,412					
10,924,436	8,713,979	5,512,527	2,888,986	1,536,410	802,558	2,058,394
22,205,237	18,982,281	11,512,527	8,888,986	7,536,410	6,802,558	6,292,132



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