WALT DISNEY PRODUCTIONS
annual report
To SHAREHOLDERS and EMPLOYEES
Fiscal Year Ended September 27 1958

Walt Disney Productions

500 South Buena Vista Street, Burbank, Calif.

Board of Directors

Walter E. Disney	Burbank, California
*Roy O. Disney	Burbank, California
John E. Barber	Pasadena, California
*Gunther R. Lessing	Burbank, California
Floyd B. Odlum	New York, New York
	President, Atlas Corporation
*Paul L. Pease	Burbank, California
Gordon E. Youngman	Beverly Hills, California
	Youngman, Hungate and Leopold—*Attorneys*

***Member, Executive Committee*

Officers

Walter E. Disney	*Chairman of Board of Directors*
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*
Luther R. Marr	*Secretary*
Spencer C. Olin	*Assistant Secretary*
Franklin Waldheim	*Assistant Secretary and Eastern Counsel*
Paul L. Pease	*Treasurer*
Lawrence E. Tryon	*Assistant Treasurer*
Orbin V. Melton	*Assistant Treasurer*

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 City Bank Farmers 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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WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Statement of Income Account

	Year Ended September 27 1958	Year Ended September 28 1957 (see note below)
Income (note 8)		
Film rentals	$19,167,471	$15,574,260
Television income	9,949,730	8,810,571
Amusement park income	13,496,186	6,001,611
Other income—from publications, newspaper comics, licensing cartoon characters, music and records	5,963,875	5,391,800
Total income	48,577,262	35,778,242
Costs and Expenses		
Amortization of film and television production costs (note 3)	13,726,269	12,283,777
Distribution costs—prints, advertising, etc.	3,166,795	2,398,570
Operating costs of amusement park, other than depreciation	8,122,266	2,727,056
Depreciation of amusement park (note 6)	2,620,908	1,119,845
Costs applicable to other income	4,373,529	2,981,739
General, administrative and selling expenses	7,739,282	5,785,026
Interest	559,328	339,460
Stories and pre-production costs abandoned	342,392	367,825
Estimated taxes on income (notes 5 and 6)	3,925,000	3,850,000
Total costs and expenses	44,575,769	31,853,298
Profit, before minority interest	4,001,493	3,924,944
Minority interest in profit of Disneyland, Inc.	136,020	275,585
Profit for the year	$ 3,865,473	$ 3,649,359
Earnings per share	$2.51	$2.44

Note: Includes the results of Disneyland, Inc. operations from June 29 1957. (note 1)

(See notes to the financial statements on pages 10 and 11)

Auditors Certificate

PRICE WATERHOUSE & CO.

530 West Sixth Street
LOS ANGELES 14

December 23 1958

To the Board of Directors of Walt Disney Productions

In our opinion, the accompanying financial statements (pages 1, 8, 9 and 10) present fairly the consolidated financial position of Walt Disney Productions and domestic subsidiaries at September 27 1958 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.

To Our Shareholders and Employees...

The motion picture and television product which we produced during the past year and which we now have in process of production for future release is a source of pride and satisfaction to all of us.

Our material is well diversified to cover the widest audience range in our efforts to please theatre goers and television viewers in every age bracket and in a world-wide market. I feel we have made good progress in achieving a closer coordination of our theatrical and television interests, particularly in the way we have been able to use talent developed on our television programs in such important theatrical features as OLD YELLER and SHAGGY DOG. We plan to continue this policy by co-starring some of the players from our television programs in forthcoming theatrical pictures.

We will continue to produce animated motion pictures as well as live action subjects for both the theatres and television.

Technical improvements in our industry have provided us with new and effective ways of adding greater entertainment quality to our product. Technicolor's new big screen projection process, Technirama 70, perfected stereophonic sound, and newly developed techniques in the art of animation will, for example, all be combined in the presentation of our newest animated feature, SLEEPING BEAUTY.

On our production schedule for the coming year are the following major features:

101 DALMATIANS, an animation comedy-drama feature, based on Dodie Smith's whimsical story about dogs versus humans, which is now in production.

SWISS FAMILY ROBINSON, a live production by our British subsidiary with camera crews ranging far and wide to provide realistic coverage of this fine adventure story.

TOBY TYLER, the classic heart-tugging tale of a runaway boy who joins the circus.

THE WOODCUTTER'S HOUSE, a live action feature of the quaint folk who save a famous forest from the woodsman's axe.

GOLD, an action thriller of an adventurous trio on their way to the California goldfields, from Stewart Edward White's novel. This will co-star some of the personalities from our television series.

NOMADS OF THE NORTH, a live action story of a Hudson Bay man, his dog and a cub bear; a two-year camera project in the Canadian wilds.

These are the highlights of our theatrical production plans during the coming year.

A new format for portions of the Walt Disney Presents ABC-TV show includes featurettes with human and animal characters such as THE PIGEON THAT WORKED A MIRACLE, which was aired recently. Others of this type are planned.

The new additions now being made to Disneyland Park are the most significant we have undertaken since the park opened in 1955. This broad revamp of a major area in the park was originally conceived as a two-year building program. It has been compressed into one year because of the close physical integration of the several rides and attractions involved. Details of the program are included elsewhere in this report but, in general, I see these things as important and exciting additions to the audience appeal of the park.

All in all, the Company's plans for the coming year are well mapped out and under way. We have every confidence that the year ahead will be a successful one.

For the successful year just passed, my warmest thanks to everyone in the organization.

Walt Disney

We are pleased to report that the fiscal year ended September 27 1958 was the most successful period in the Company's history.

Gross income, net profits and earnings per share of common stock were each better than last year's all-time highs. Working capital was markedly improved by converting $5,000,000 of current bank loans to a long term loan from an insurance company.

Of greatest significance however, was the quality and success of our theatrical motion pictures released during the year and the substantial progress made toward the completion of those films which will commence their theatrical release during 1959.

This is the first year in which our financial statements include a full twelve months of operations of our subsidiary, Disneyland, Inc. which owns and operates the amusement park, Disneyland, in Anaheim, California. The 1957 figures published last year and used in this report include the Park's results only for the fourth fiscal quarter. This is apparent with respect to certain items in the accompanying comparative Statement of Income Account, but the comparability of net profit is not materially affected since the greater earning period of Disneyland is in the summer season.

Net Profit

Consolidated net profit of Walt Disney Productions and its domestic subsidiaries (three wholly owned and Disneyland, Inc.—the park—65.52% owned) for the fiscal year ended September 27 1958 was $3,865,473 representing $2.51 per share on the 1,537,054 common shares outstanding. The 1957 fiscal year showed net profit of $3,649,359 equal to $2.44 per share on the 1,494,041 shares then outstanding.

Provision for income taxes of $3,925,000 was made for 1958 compared with $3,850,000 in 1957.

Gross Income

Gross income for the year was $48,577,262 compared to $35,778,242 last year, an increase of $12,799,020. Disneyland Park, with a full year included in 1958 as against only July, August and September in 1957, accounted for $7,494,575 of the increase, while film rentals were up $3,593,211, television income increased $1,139,159 and all other income rose $572,075.

Dividends

Four regular quarterly cash dividends totaling 40 cents per share and aggregating $614,823 were declared during the year and paid to stockholders on January 1, April 1, July 1 and October 1 1958.

On November 25 1957 a 3% stock dividend, declared July 30 1957 was paid to stockholders of record November 1 1957, pursuant to which 42,995 shares of common stock were issued. As a result, Earnings Retained in the Business was charged with $1,012,102 on the basis of $23.54 per share (the closing bid price of the common stock on the day of declaration) plus $28,091 cash paid in lieu of fractional shares. Stated Capital Account was credited with $107,487, the par value of the shares issued, and the balance, $904,615, was credited to Other Capital.

The total amount charged to Retained Earnings for cash and stock dividends was $1,655,016 during the year.

On October 23 1958, the Board of Directors declared a cash dividend of 10 cents per share and a 3% stock dividend both payable January 1 1959 to stockholders of record December 3 1958.

It is the present intention of the Board of Directors to continue this dividend policy for the coming year if earnings and other relevant factors so warrant.

The Company now has approximately 7,000 stockholders, an increase of about 1,000 since the first of the year. We extend a cordial welcome to our new shareholders and are gratified at this broadening of interest in the Company's stock, which was admitted to trading on the New York and Pacific Coast Stock Exchanges on November 12 1957.

Financing

The Company received a $5,000,000, fifteen year, 5½%, unsecured loan from the Prudential Life Insurance Company of America in September 1958, the proceeds of which were applied to the reduction of current bank debt.

The note is payable $200,000 on September 15 1961, and in annual installments of $400,000 on each September 15 thereafter until maturity. The Company has the right to prepay the note under certain conditions at a premium and under other conditions without premium.

This loan greatly improves the Company's working capital position.

Theatrical Product

During the year we put five feature pictures into domestic theatrical release: Reissues of SNOW WHITE and PETER PAN, together with new releases of OLD YELLER, LIGHT IN THE FOREST, and WHITE WILDERNESS. All have done very good business to date, are profitable and will contribute to our income during 1959. OLD YELLER, in particular, has been a strong picture and is well on the way to becoming one of our all-time top grossers.

Six new Walt Disney theatrical features, all of which are now practically completed, will start their United States release during the 1959 fiscal year. This product will represent a combined investment of approximately $13,000,000. Descriptive data on this fine lineup of product appears in the center pages of this report. The release schedule is as follows:

Christmas 1958 – TONKA

February 1959—SLEEPING BEAUTY—Our newest and finest all-animation feature picture. It will initially be released in 70mm wide screen, with full stereophonic sound, in about 45 selected theatres across the country and is expected to do top business world-wide. In production over three years, its relatively high production cost, which is inherent in the animation medium probably precludes large profits from its inital three to five year release around the world. As an addition to our library of timeless, re-issuable classics however, we believe its long range value to the Company is very substantial. It is also the kind of picture which adds great impetus to our publication, character merchandising, music and other endeavors.

Easter 1959 – SHAGGY DOG

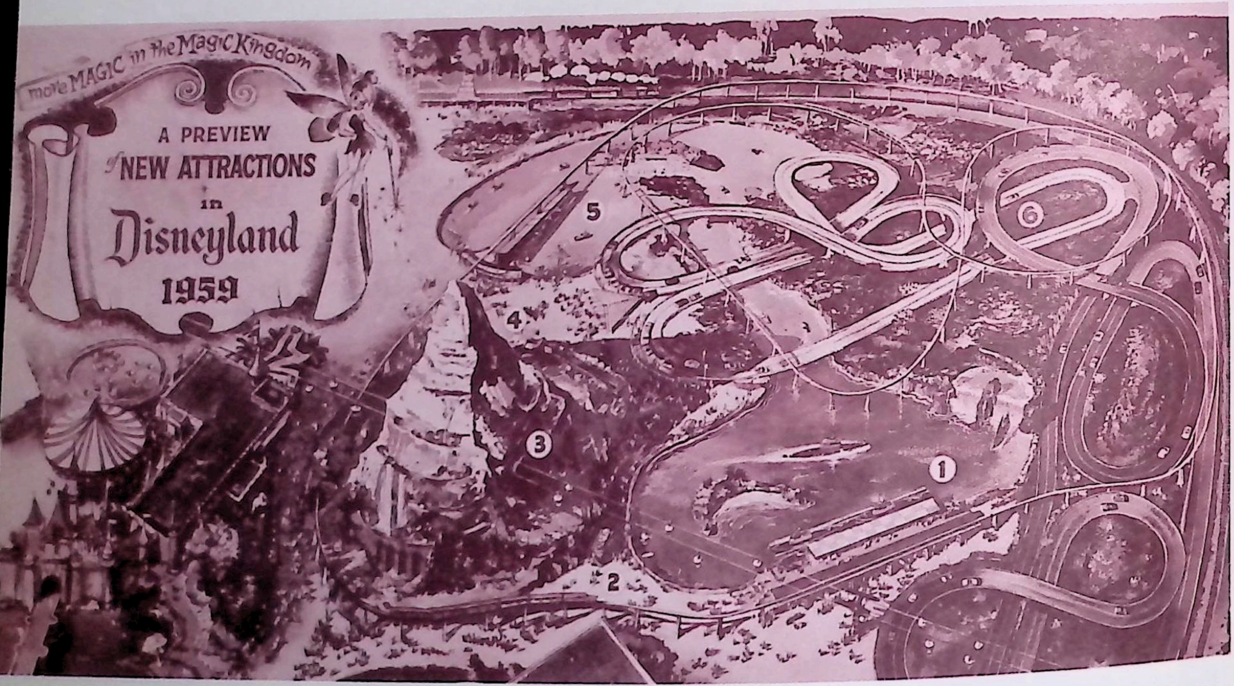
Summer 1959 – DARBY O'GILL AND THE LITTLE PEOPLE

Fall 1959 – JUNGLE CAT

Fall 1959 – THIRD MAN ON THE MOUNTAIN

There will be available for each feature appropriate supporting short subjects selected from our output of People and Places subjects, or short animated films to provide a coordinated package of family entertainment. With the exception of SHAGGY DOG, which is in black and white, all of our theatrical films this year are in Technicolor.

In addition to the above program of Walt Disney product, we will also release, late in 1959 through our subsidiary, Buena Vista Film Distribution Co., Inc., a theatrical motion picture based on the widely read Lloyd Douglas book, THE BIG FISHERMAN, which is now being produced by Rowland V. Lee Productions. Walt Disney Productions is financing this picture, will market it around the world, and has a joint-owner's share in the profits. THE BIG FISHERMAN is a very important property which we believe will have great



1. SUBMARINE VOYAGE — 2. MONORAIL TRAIN — 3. GLACIER GROTTO 4. MATTERHORN BOB SLEDS — 5. MOTOR BOAT CRUISE — 6. AUTOPIA

stature in the world's motion picture markets for many years. An excellent cast, headed by Howard Keel in the title role of Simon Peter, the disciple, and top production values are being utilized by Mr. Lee to tell the dramatic personal stories of the people who lived during this momentous period in Biblical history. It is being photographed in Panavision, processed by Technicolor, and will be released in 70mm wide screen.

Other Income

The names, characters, music and other creative elements 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 world outside the Iron Curtain. We group these important and profitable ancillary activities under the term "other income."

Publications comprise the largest single phase of this business. Over 105 million copies of Walt Disney books and magazines were produced last year in the United States alone.

Our several comic strips now appear in more than 1,000 of the world's leading newspapers with an estimated weekly circulation of almost 100 million.

Character merchandising—the licensing of manufacturers to produce Walt Disney merchandise—shows continuing improvement particularly in the foreign field.

Growth by the 16mm Non-theatrical Film Division continues satisfactorily both at home and abroad.

Our relatively new Phonograph Record Division, although not profitable this past year, is making good progress and is expected to do better in the year ahead.

Television

Television gross income as shown in the income account for the year was $9,949,730, an increase of $1,139,159 over 1957. Television in foreign countries continues to develop and foreign revenue increased by $630,837 during the year to $1,060,254. We expect a further increase in 1959.

Our three television programs, the weekly nighttime Disneyland and Zorro shows, and the daily afternoon Mickey Mouse Club show continue to receive outstanding public acceptance.

Early in 1958 the American Broadcasting Company exercised its options to extend for one additional year the Disneyland and Zorro programs for the 52 week period commencing in the Fall of 1958. The Company entered into a new contract with the American Broadcasting Company covering the Mickey Mouse Club and "Walt Disney's Adventure Time." Both of these programs will consist of material utilized in previous years' Mickey Mouse Club programs put together in a new form and sequence as 78 Mickey Mouse Club programs and 52 Adventure Time programs, of one-half hour in length, for telecasting during the year beginning in the Fall of 1958. American Broadcasting Company has an option to extend this contract for an additional one year period at compensation fixed by the contract.

In order to give emphasis to the continued success of the Disneyland program series as it enters its fifth year, its title has been changed to "Walt Disney Presents."

Disneyland Park

Disneyland attendance, revenues and per capita spending of the park visitors continued to increase during the park's third year of operation.

While the gross income of Disneyland was greater this year than any prior year, the operating expenses were likewise up substantially due primarily to two factors: (1) Operating a seven-day week throughout the 1957-1958 winter period as against a six-day week the year before, and (2) increased costs due to rising salaries and the inauguration of a 40-hour work week in place of the former 45-hour week. This resulted in a lower net profit compared with the prior year.

This current year we are operating the park during winter months on a five-day schedule with resulting savings in operating costs and in the hope that a full week's business will be compressed within the five days.

During the year the park added several outstanding new rides and attractions for the 1958 summer season including the Grand Canyon Diorama, the Alice In Wonderland ride and, on the rivers of America, the three masted square rigged sailing ship "Columbia," an exact scale replica of the first United States ship to circumnavigate the globe.

Construction is now in progress on a $4,000,000 program of additional new rides in the Tomorowland area of Disneyland. We are building a 146 foot scale replica of the Matterhorn complete with bobsled ride, and an underwater adventure ride featuring eight 40-passenger submarines. The popular Autopia ride on our model freeways of tomorrow will be enlarged and other attractions in the area modified to provide increased capacity.

The above program is being financed entirely by Disneyland, Inc. through a line of bank credit.

In addition, a monorail rapid transit ride developed in cooperation with the Alweg Monorail System of Cologne, Germany, and involving an investment of approximately $1,000,000 is being financed and installed at Disneyland by WED Enterprises and will be operated by them as a concessionaire.

December 23 1958.

Roy O. Disney

President


FIVE Walt Disney MOVIES FOR YOU AND YOUR FAMILY IN 1959!
"This year will see the results of our most ambitious program..."
Five full-length feature motion pictures ...some funny...some spectacular...some whimsical...some dramatic...but all, we hope, with that one indefinable quality, Entertainment...Watch for them at your favorite motion picture theatre!
The story of a boy and a horse ...and the part they played in the West's strangest legend!
TONKA
STARRING
SAL MINEO In A Great New Role
JEROME COURTLAND · PHILIP CAREY · RAFAEL CAMPOS
TECHNICOLOR®
The genius of the artist and the story-teller combine to create a milestone in entertainment!
Sleeping Beauty
TECHNICOLOR®
For the first time a magnificent New Dimension of Sight and Sound with
The Tremendous Scope of TECHNIRAMA-70 and The Living Beauty of Tchaikovsky's Music in STEREOPHONIC SOUND
THE SHAGGY DOG
STARRING
FRED MACMURRAY · JEAN HAGEN
TOMMY KIRK · ANNETTE FUNICELLO
TIM CONSIDINE · KEVIN "MOOCHIE" CORCORAN
The funniest dog-gone adventure that ever happened to anyone!
The picture with the leprechauns... It's different! It's delightful! It's Disney at his best!
DARBY O'GILL and the LITTLE PEOPLE
STARRING
ALBERT SHARPE · JANET MUNRO · SEAN CONNERY
TECHNICOLOR®
A youth's courageous struggle for manhood... in one of the most daring and dramatic stories ever filmed!
THIRD MAN ON THE MOUNTAIN
STARRING
MICHAEL RENNIE · JAMES MacARTHUR · JANET MUNRO · JAMES DONALD
TECHNICOLOR®

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheet

Assets

	September 27 1958	September 28 1957
Current and Working Assets		
Cash (note 2)	$ 1,903,558	$ 1,989,938
Notes and accounts receivable, less provision for doubtful accounts of $47,581 and $39,170	1,058,290	1,571,673
	2,961,848	3,561,611
Inventories, at the lower of cost or market (notes 3 and 4)—		
Productions in process	20,414,115	14,525,343
Completed productions, less amortization	4,989,174	4,397,634
Story rights and pre-production costs	363,759	264,875
Merchandise, materials and supplies	2,172,548	1,388,210
Less—Provision for possible excess over estimated realizable amounts	*500,000*	*300,000*
Total inventories	27,439,596	20,276,062
Total current and working assets	30,401,444	23,837,673
Other Assets		
Cash surrender value of insurance on life of officer	294,824	255,663
Investments in foreign subsidiaries not consolidated, less amortization (note 1)	10,410	10,407
Sundry other assets and deferred charges	378,786	483,318
	684,020	749,388
Plant and Equipment		
Studio and amusement park—buildings, equipment, rides and other depreciable assets at cost (note 6)	28,742,654	25,200,349
Less—Accumulated depreciation and amortization	*12,006,477*	*9,184,336*
	16,736,177	16,016,013
Land	1,538,782	1,108,670
	18,274,959	17,124,683
	$49,360,423	$41,711,744

(See notes to the financial statements on pages 10 and 11)

Liabilities and Stockholders Equity

	September 27 1958	September 28 1957
5½% bank loans (note 4)	$ 4,427,422	$ 5,959,604
5% notes and advances payable to Disneyland, Inc. minority stockholder, secured in part by certain real estate (note 4)	700,000	258,600
5% notes due April 30 1959, secured by 3,655 shares of capital stock of Disneyland, Inc.	428,901	
Accounts payable	2,103,539	1,630,636
Advances under contracts	1,037,125	1,707,387
Payroll and employee benefits	1,292,285	1,099,426
Property, social security and other taxes	1,273,763	1,269,859
Estimated taxes on income (note 5)	3,769,556	3,165,474
Total current liabilities	15,032,591	15,090,986
Unearned Deposits and Rentals	2,381,515	2,361,265
Long Term Liabilities (note 4)		
5½% unsecured note due in installments from 1961 to 1973	5,000,000	
5% notes and advances payable to Disneyland, Inc. minority stockholder	1,241,200	1,544,452
3.6% bank note due March 1962, secured by assignment of certain royalty income of Disneyland, Inc.	350,000	400,000
5% notes due April 30 1959—see above		428,901
	6,591,200	2,373,353
Estimated Future Federal Income Tax (note 6)	1,935,000	1,825,000
Minority Interest in Disneyland, Inc.	1,214,880	1,078,859
Stockholders Equity		
(Represented by $2.50 par value common stock—1,537,054 shares issued and outstanding in 1958 and 1,494,041 in 1957 of 3,000,000 authorized shares)		
Stated capital (note 7)	9,878,774	9,770,890
Other capital, per accompanying statement	1,402,027	497,412
Earnings retained in the business, per accompanying statement (notes 4 and 7)	10,924,436	8,713,979
	22,205,237	18,982,281
	$49,360,423	$41,711,744

(See notes to the financial statements on pages 10 and 11)

Consolidated Statement of Other Capital

	Year Ended September 27 1958	Year Ended September 28 1957
Balance at beginning of year	$ 497,412	
Excess of equity of Walt Disney Productions in net assets of Disneyland, Inc. at June 29 1957 over cost of investment therein (note 1)		$ 497,412
Excess of market value of shares issued as a stock dividend over the par value thereof (note 7)	904,615	
Balance at end of year	$ 1,402,027	$ 497,412

Consolidated Statement of Earnings Retained in the Business

	Year Ended September 27 1958	Year Ended September 28 1957
Balance at beginning of year	$ 8,713,979	$ 5,512,527
Profit for the year (note 1)	3,865,473	3,649,359
Less – Dividends paid:		
In cash	*642,914*	*447,907*
In stock (note 7)	*1,012,102*	
Balance at end of year (notes 4 and 7)	$10,924,436	$ 8,713,979

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Principles of Consolidation

The accounts of all domestic subsidiaries have been consolidated in the accompanying financial statements and all significant inter-company transactions have been eliminated. All domestic subsidiaries are wholly owned with the exception of Disneyland, Inc. in which the company owns 65.52%. The consolidated statement of income account reflects the results of Disneyland operations from June 29 1957, on which date the company's equity first exceeded 50%. Disneyland revenues are seasonal in nature with the summer months producing the largest portion thereof.

The total net assets of the wholly owned subsidiaries at September 27 1958 exceeded the company's investment therein by $644,983, which excess represents the undistributed retained earnings of such subsidiaries and is included in consolidated retained earnings. The company's equity in the net assets of Disneyland, Inc. at September 27 1958 exceeded the company's investment therein by $1,279,462. Of this amount $497,412 is included in other capital in the accompanying consolidated balance sheet, representing the excess of the company's equity in Disneyland net assets at June 29 1957 over the cost of its investment. The remaining $782,050 represents the company's 65.52% share of the undistributed profit of Disneyland from June 29 1957 and is included in consolidated retained earnings.

The accounts of foreign subsidiaries have not been consolidated because of exchange restrictions. These companies produce and distribute pictures, carry on the company's character merchandising business, or publish music in various foreign countries. Royalties, dividends and other revenues received from these companies are taken into income when received in U.S. dollars. The company's equity in the net assets of unconsolidated foreign subsidiaries at September 27 1958 exceeded the carrying value of its investment therein by an immaterial amount and during the year ended September 27 1958 neither the earnings nor the dividends paid by the unconsolidated subsidiaries were material in amount.

Note 2 Restricted Cash

Cash restricted for payment of bank loans amounted to $336,709 at September 27 1958 and $309,395 at September 28 1957.

Note 3 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 (net of distribution charges and 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 contracts with American Broadcasting Company for telecasting in the United States.

The $500,000 provision for possible excess of stated value of inventories over estimated realizable amounts at September 27 1958 is based on possible losses from certain items now in inventory and does not take into account anticipated profits on other inventory items.

Note 4 Bank Loans and Long Term Liabilities

All motion pictures and television productions in process or in active release and the revenues to be derived therefrom are pledged to secure the 5½% bank loans. The bank agreement and an agreement underlying the 5½% $5,000,000 unsecured note contain the minimum working capital requirements of $7,500,000 for the parent company alone and $13,000,000 for the parent company and wholly owned subsidiaries consolidated. These requirements were met at September 27 1958. The loan agreements also contain restrictions on payment of dividends by the parent company. At September 27 1958 the parent company had retained earnings of $9,497,406. Of this amount $8,797,406 is not available for payment of cash dividends.

In December 1958 Disneyland, Inc. obtained a $7,500,000 line of bank credit secured by the pledge of lessee rents and certain license fees and applied a portion of the proceeds to the payment of all current notes and advances payable to stockholders. $3,000,000 of the remaining amounts owing to the stockholders of Disneyland, Inc., including $1,965,600 owing to Walt Disney Productions, was subordinated to the new bank loan.

Note 5 Estimated Federal Income Tax

Representatives of the Treasury Department are currently examining the federal income tax returns of the company for the three fiscal years ended September 29 1956 and have proposed additional assessments totalling approximately $4,600,000. Of this amount $3,350,000 relates to picture amortization and other income adjustments between years and would be recoverable in the year ended September 28 1957 and ensuing years, $800,000 results from a proposal to place salvage values on motion pictures and would be recovered only when the picture negatives are sold or abandoned with the remaining $450,000 not being recoverable. However, company officials disagree with the position taken thus far by the examining agent on the basis that the principal adjustments suggested by him are not in accord with generally accepted practices of the motion picture and television industry. Any assessments of tax on these bases will be vigorously protested. Accordingly, no provision has been made in the accompanying statements for additional taxes on income.

Note 6 Estimated Future Federal Income Tax

Depreciation is provided on all Disneyland assets at a composite rate of 14.28% per year and annual depreciation is allocated to each month within a fiscal year on the basis of the percentage that each month's attendance at Disneyland Park bears to estimated total attendance for the year.

For federal income tax purposes depreciation expense of Disneyland is computed on the declining balance method using twice the 14.28% rate used for book purposes with the result that Disneyland tax returns for early periods showed no tax liability. However Disneyland follows the policy of providing currently for federal income taxes at the rate of approximately 52% of the cumulative net profit shown in its financial statements.

Note 7 Stockholders Equity

A 3% stock dividend declared on July 30 1957 was paid on November 25 1957 to holders of record November 1 1957. This resulted in a charge to Retained Earnings of $1,012,102 with credits of $107,487 to Stated Capital and $904,615 to Other Capital. An additional 3% stock dividend was declared on October 23 1958 payable on January 1 1959 to stockholders of record on December 3 1958.

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 27 1958 there was approximately $2,600,000 (at current rates of exchange) of blocked currencies in foreign countries representing income which has not been reflected as an asset or as income in the accompanying statements.

FISCAL YEARS ENDED SEPTEMBER 30	1958	1957	1956
OPERATIONS:			
Gross income	$48,577,262	35,778,242	27,565,394
Costs and expenses			
Amortization of production costs	$13,726,269	12,283,777	11,326,884
Interest expense	559,328	339,460	488,837
Other costs and expenses	26,365,172	15,380,061	11,285,132
Provision for taxes on income	3,925,000	3,850,000	1,841,000
Total costs and expenses	$44,575,769	31,853,298	24,941,853
Minority interest in profit of Disneyland, Inc.	136,020	275,585	
Profit or (loss)	$ 3,865,473	3,649,359	2,623,541
Net income applicable to common stock outstanding during period after providing for dividends on preferred stock outstanding in fiscal years prior to 1952 and after giving effect to 2 for 1 stock split effective August 20 1956			
In total	$ 3,865,473	3,649,359	2,623,541
Per share	$ 2.51	2.44	2.01
Number of shares:			
Preferred			
Common	1,537,054	1,494,041	1,305,680
FINANCIAL CONDITION:			
Current assets	$30,401,444	23,837,673	18,990,463
Current liabilities	15,032,591	15,090,986	14,323,495
Net working capital	15,368,853	8,746,687	4,666,968
Land, buildings and equipment after deducting depreciation	18,274,959	17,124,683	3,466,107
Other assets and deferred charges	684,020	749,388	4,702,152
Unearned income	*(2,381,515)*	*(2,361,265)*	*(728,960)*
Long term liabilities	*(6,591,200)*	*(2,373,353)*	*(593,740)*
Minority interest in Disneyland, Inc.	*(1,214,880)*	*(1,078,859)*	
Estimated future federal income tax	*(1,935,000)*	*(1,825,000)*	
Stockholders equity	$22,205,237	18,982,281	11,512,527
Net worth per common share after giving effect to 2 for 1 stock split effective August 20 1956	$ 14.45	12.71	8.82
STOCKHOLDERS EQUITY REPRESENTED BY:			
Preferred stock	$		
Common stock	9,878,774	9,770,890	6,000,000
Paid in surplus			
Other capital	1,402,027	497,412	
Earnings retained in the business	10,924,436	8,713,979	5,512,527
Total stockholders equity	$22,205,237	18,982,281	11,512,527

COMPARISON

1955	1954	1953	1952	1951	1950	1949
24,638,652	11,641,408	8,365,861	7,722,819	6,287,539	7,293,849	5,685,055
12,691,652	5,154,234	4,278,601	4,382,163	2,998,376	3,905,035	4,071,058
434,926	371,333	146,715	108,987	132,105	183,503	220,853
9,009,498	4,541,989	3,065,119	2,704,860	2,520,218	1,962,769	1,487,043
1,150,000	840,000	365,000	75,000	207,000	525,000	
23,286,076	10,907,556	7,855,435	7,271,010	5,857,699	6,576,307	5,778,954
1,352,576	733,852	510,426	451,809	429,840	717,542	*(93,899)*
1,352,576	733,852	510,426	451,809	425,925	692,669	*(121,153)*
1.04	.56	.40	.35	.33	.53	*(.09)*
					11,196	17,728
1,305,680	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680
14,715,445	15,413,949	11,180,534	9,694,882	9,239,509	8,636,835	8,906,923
11,914,474	10,982,120	6,387,794	4,870,348	4,093,501	3,389,084	4,289,380
2,800,971	4,431,829	4,792,740	4,824,534	5,146,008	5,247,751	4,617,543
3,560,100	2,639,566	2,177,317	1,728,588	1,704,058	1,799,391	1,926,516
3,360,016	1,052,793	394,116	208,467	159,284	207,960	301,510
(588,361)	*(344,038)*	*(317,575)*	*(200,827)*	*(451,732)*	*(524,253)*	*(307,194)*
(243,740)	*(243,740)*	*(244,040)*	*(268,630)*	*(717,295)*	*(1,036,629)*	*(1,382,905)*
8,888,986	7,536,410	6,802,558	6,292,132	5,840,323	5,694,220	5,155,470
6.81	5.77	5.21	4.82	4.47	4.15	3.61
					279,900	443,200
6,000,000	6,000,000	6,000,000	3,264,200	3,264,200	3,264,200	3,264,200
			969,538	969,538	969,460	960,079
2,888,986	1,536,410	802,558	2,058,394	1,606,585	1,180,660	487,991
8,888,986	7,536,410	6,802,558	6,292,132	5,840,323	5,694,220	5,155,470

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