

BULOVA WATCH COMPANY
INCORPORATED

Report to Stockholders
March 31, 1933

BULOVA WATCH COMPANY
INCORPORATED



BOARD OF DIRECTORS

JOSEPH BULOVA JOHN H. BALLARD
ARDE BULOVA IRA GULDEN
HARRY D. HENSHEL

OFFICERS

ARDE BULOVA
Chairman of the Board and Treasurer

JOSEPH BULOVA
President

JOHN H. BALLARD
Vice-President

IRA GULDEN
Vice-President

HARRY D. HENSHEL
Secretary

To the Stockholders of
BULOVA WATCH COMPANY, INC.:

I submit herewith, as Chairman of your Board of Directors, for your consideration, Consolidated Balance Sheet of the Bulova Watch Company, Inc. and subsidiary companies at March 31, 1933, as well as Condensed Statement of Consolidated Income and Surplus for the year ended that date.

The generally disturbed conditions which have confronted all businesses since our last report was submitted, are well known. The difficulties thus created brought many problems in the management of your company. These disturbances, resulting in a marked increase in bankruptcies and the inability of many retail merchants throughout the country to meet their obligations, have seriously affected the collectibility of our accounts.

In addition to the amount written off for bad debts, it was deemed prudent to provide a reserve of \$414,987.19 against the receivables of \$2,260,046.79 still due this company. I am hopeful that this reserve will prove more than sufficient to take care of any credit losses that may be sustained during the current fiscal year.

Our volume of sales covered by the period under audit suffered a considerable reduction. This was experienced by the industry as a whole, and culminated in a series of price reductions on the part of other watch manufacturers in an endeavor to create sales and reduce excessive inventories. Your company was successful in meeting the competition created by these moves on the part of other manufacturers, and at the same time retained the good will and confidence of the company's distributors throughout the United States and Canada.

Your company has adopted necessary means to place it in a strong financial position, so as to take advantage of any improvement in business conditions as they develop. Investment in inventories has been materially reduced. A conservative and sound policy of credit extension has been established, resulting in a marked reduction of outstanding receivables. These and other policies have improved the cash position of your company, so that liabilities have been reduced to a minimum.

The company, you will note, is in excellent cash position; the ratio of current assets to current liabilities being 24 to 1.

The books and records of the company, and its subsidiaries, were audited regularly throughout the year by Messrs. Frederick Wm. Greenfield & Co., Certified Public Accountants, and the annual examination of the books has been made and certified by Messrs. Haskins & Sells, Certified Public Accountants.

The vicissitudes of business for the past twelve months have left their effect upon your company, but I believe that the problems which have arisen have been successfully met and that your company has retained its leadership in the industry with every prospect of definite progress during the current year.

ARDE BULOVA,
Chairman of the Board

May 26, 1933.

BULOVA WATCH COMPANY, INC.

(Incorporated in New York)

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET,

MARCH 31, 1933

| ASSETS | | LIABILITIES | |
|---|-----------------------|---|-----------------------|
| CURRENT ASSETS: | | CURRENT LIABILITIES: | |
| Cash | \$1,203,744.60 | Accounts payable (including amount due officer, \$48,965.35) | \$ 148,095.96 |
| United States Government bonds (par value \$150,000.00; market value \$152,833.33)— At cost | 152,281.25 | Due to salesmen..... | 19,953.24 |
| Notes and accounts receivable: | | Accrued items | 11,752.16 |
| Customers: | | Total current liabilities | \$ 179,801.36 |
| Notes | \$1,267,477.29 | REAL ESTATE MORTGAGES PAYABLE..... | 42,317.23 |
| Accounts | 992,569.50 | CAPITAL STOCK: | |
| Total | \$2,260,046.79 | Convertible preferred, with- out par value; cumulative dividends, \$3.50; author- ized and outstanding, 50,000 shares—At liquida- tion value \$55.00 a share, \$2,750,000.00 | |
| Less reserves for doubt- ful notes and accounts | 414,987.19 | Common, without par value; authorized, 325,000 shares; reserved for conversion of preferred capital stock, 50,000 shares; outstanding, 275,000 shares—At de- clared value | 900,000.00 |
| Net | \$1,845,059.60 | Total capital stock..... | 3,650,000.00 |
| Advances to salesmen..... | 14,806.91 | EARNED SURPLUS | 878,711.39 |
| Others | 19,562.20 | | |
| Inventories (based on physical inventories at cost or less; not audited as to quantities except test of materials and parts at domestic locations) | 1,033,658.91 | | |
| Total current assets | \$4,269,113.47 | | |
| NOTES RECEIVABLE MATURING SUBSE- QUENT TO MARCH 31, 1934..... | 44,728.24 | | |
| CASH SURRENDER VALUE OF OFFICER'S LIFE INSURANCE POLICIES..... | 63,849.77 | | |
| INVESTMENT—AT COST | 4,828.59 | | |
| PLANT PROPERTY: | | | |
| Land and buildings..... | \$ 71,638.44 | | |
| Machinery, equipment, etc. ... | 713,448.51 | | |
| Furniture and fixtures | 37,355.63 | | |
| Total | \$ 822,442.58 | | |
| Less reserves for depreciation | 487,735.23 | | |
| Net plant property..... | 334,707.35 | | |
| IMPROVEMENTS TO LEASEHOLD PROPERTY— UNAMORTIZED PORTION | 15,388.62 | | |
| FUNDS IN CLOSED BANK..... | 9,594.24 | | |
| UNEXPIRED INSURANCE PREMIUMS..... | 8,619.70 | | |
| TOTAL | \$4,750,829.98 | TOTAL | \$4,750,829.98 |

NOTE: Dividends on the preferred stock aggregating \$262,500.00, covering the period from October 1, 1931, to March 31, 1933, have not been declared or paid.

BULOVA WATCH COMPANY, INC.
AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED
INCOME AND SURPLUS FOR THE YEAR ENDED
MARCH 31, 1933

| | | |
|--|----------------|------------|
| GROSS PROFIT FROM SALES..... | \$ 865,560.63 | |
| SELLING EXPENSES | 712,832.80 | |
| | | <hr/> |
| SELLING PROFIT | \$ 152,727.83 | |
| ADMINISTRATIVE AND GENERAL EXPENSES | 344,295.70 | |
| | | <hr/> |
| LOSS FROM OPERATIONS..... | \$ 191,567.87 | |
| INCOME CHARGES: | | |
| Discounts allowed customers \$ | 58,575.00 | |
| Provision for doubtful notes and accounts, less recoveries | 836,162.73 | |
| Interest on loans | 25,314.00 | |
| Excess of premium over increase in cash surrender value of insurance on life of officer | 1,079.45 | |
| Taxes | 6,941.48 | |
| Loss on disposal of furniture and fixtures | 2,212.18 | |
| Provision for conversion of net current assets of Canadian subsidiary at prevailing rate of exchange | 16,569.76 | |
| | | <hr/> |
| | | 946,854.60 |
| GROSS LOSS | \$1,138,422.47 | |
| INCOME CREDITS: | | |
| Discounts on purchases | \$ 6,804.95 | |
| Interest earned..... | 42,448.60 | |
| Miscellaneous | 236.87 | |
| | | <hr/> |
| | | 49,490.42 |
| NET LOSS FOR THE YEAR..... | \$1,088,932.05 | |
| EARNED SURPLUS, APRIL 1, 1932..... | 1,967,643.44 | |
| | | <hr/> |
| EARNED SURPLUS, MARCH 31, 1933..... | \$ 878,711.39 | |

NOTE: Depreciation charged to operations during the year amounted to \$108,883.37.

CERTIFICATE

BULOVA WATCH COMPANY, INC.:

We have examined the accounts of Bulova Watch Company, Inc., and its subsidiary companies, Bulova Watch Company, Limited, Westfield Watch Company, Inc. (inactive), and American Standard Watch Case Company (including its branch at Bienne, Switzerland, and its subsidiary company, Fabrikgebaude Weissensteinstrasse No. 9, A. G.), for the year ended March 31, 1933.

Customers' notes on hand were verified by inspection and notes out for collection were confirmed or otherwise properly accounted for. Trial balances of customers' open accounts were checked in detail to the individual ledgers. The notes and accounts were reviewed by us as to collectibility and based thereon the reserve for doubtful notes and accounts is adequate. Customers were not requested to confirm to us the amounts of their balances.

The inventories are based on physical counts made by employees of the companies. We verified the prices and computations of all inventories and made limited tests of the quantities of materials and parts at domestic locations. The inventories are priced at cost or less and appear to be conservatively stated.

The charges to property accounts are controlled by a conservative policy, and adequate reserves for depreciation have been provided.

Provision has been made for all known liabilities.

Based on the foregoing, in our opinion the accompanying consolidated balance sheet and condensed statement of consolidated income and surplus set forth, respectively, the financial condition of the companies at March 31, 1933, and the results of their operations for the year ended that date.

(Signed) HASKINS & SELLS.

New York,
May 24, 1933.

CERTIFICATE

BULOVA WATCH COMPANY, INC.:

We have made our customary periodical audits of the books and records of the Bulova Watch Company, Inc. and Westfield Watch Company, Inc. (inactive) of New York City, American Standard Watch Case Company of Providence, R. I. and Woodside, L. I., and Bulova Watch Company, Ltd. of Toronto, Canada, during the year ended March 31, 1933, and we hereby certify that, in our opinion, the books of the aforementioned companies truly reflect their respective operations.

(Signed) FREDERICK WM. GREENFIELD & CO.

New York, N. Y.
May 25, 1933.