

BULOVA WATCH COMPANY
INCORPORATED

Report to Stockholders
March 31, 1935

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

Executive Offices, 580 Fifth Avenue, New York

TO THE STOCKHOLDERS OF
BULOVA WATCH COMPANY, INC.:

I am submitting herewith a consolidated report of the operations of the Bulova Watch Company and its subsidiary companies, setting forth the condition of this business as of March 31st, 1935. There is also included a condensed statement of consolidated income and surplus for the twelve months' period ended on that date.

The statement of income and surplus indicates a net profit after taxes of \$387,989.48, resulting from operations for the year ended March 31st, 1935.

Special attention is directed to the item of Accounts and Notes Receivable owing to this Company by its various customers. All known bad debts have been written off; and in addition a reserve has been provided based upon the average of losses on Accounts and Notes Receivable experienced during the past five years. This five year period included in its entirety the so-called "depression" years, during which credit losses in this industry reached a maximum. It would appear, therefore, that the reserves provided, based on this five year average, should prove sufficient.

The devaluation of the American dollar in 1933 affected the Company's operations abroad. This revaluation created a problem of deciding how best to minimize the risk of loss due to any further change in values, when calculated in American dollars, upon assets of this Company necessary to its operations abroad. The officers and directors were of the opinion that the procedure adopted in 1933 was an effective way of accomplishing this result. Deposits of this Company, therefore, have been continued in bullion in foreign banks, and payments necessary for operations have been provided by arranging for advances from banks against these deposits.

As is well known, a large percentage of the year's volume of business done by jewelers is experienced in a comparatively limited period, namely, the year-end holiday season. It has, therefore, been necessary in anticipation of the seasonal requirements of jewelers, for this Company to manufacture and finance its production months in advance of sale and payment by its customers.

The directors feel that a policy of adding earnings to surplus is a desirable one to follow at the

present time, which is expected to provide the Company with sufficient capital to finance its anticipated increased volume of business.

The consolidated balance sheet and statement of consolidated income and surplus, as well as Auditors' report thereon, are submitted in detail in the following pages.

ARDE BULOVA,
Chairman of the Board.

August 15th, 1935.

ACCOUNTANTS' CERTIFICATE

BULOVA WATCH COMPANY, INC.

We have made an examination of the consolidated balance sheet of Bulova Watch Company, Inc. and its wholly owned subsidiary companies, American Standard Watch Case Company, American Standard Watch Company (including its branches at Biemme, Switzerland, and Lac-ou-Villers, France), Fabrikgebaeude, Weissensteinstrasse, No. 9 A.G., and Westfield Watch Company, Inc. (inactive) as at March 31, 1935, and of their related condensed statement of consolidated income and surplus for the year ended that date. In connection therewith, we examined or tested the accounting records of the companies and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control; we also made a general review of the accounting methods and of the operating and income accounts, and obtained information and explanations from officers and employees of the companies.

With respect to the accounts of the foreign branches and subsidiary, which were not examined by us, we were furnished with reports of other independent auditors.

The cash, securities, gold bullion, and customers' notes were verified by inspection, confirmed, or otherwise satisfactorily accounted for. The customers' individual accounts were reviewed in detail, and ample provision has been made for possible losses on customers' notes and accounts. Customers were not requested to confirm the amounts owing by them.

The inventories at domestic locations, which are based on physical counts made by employees of the companies, were verified by us as to prices and computations and test-checked as to quantities. Certificates were obtained from responsible officials as to the quantities and valuations of the inventories. All inventories are priced at cost or less and appear to be conservatively stated.

The property accounts are stated at cost values and the valuations of the additions thereto appear to be controlled by a conservative policy. Depreciation, considered to be adequate and amounting to \$126,564.61, has been provided for during the current year by charges to operations.

The current assets and liabilities of subsidiaries operating in foreign countries have been converted into United States dollars at the March 31, 1935 prevailing rates of exchange.

Provision has been made for the current year's federal taxes, and our examination indicated that all known liabilities appear in the consolidated balance sheet.

During the year under review, the Bulova Watch Company, Inc. obtained permission from the Commissioner of Internal Revenue to adopt, in its income tax returns for the current and future years, the reserve method of treating its bad and doubtful accounts. Consequently, the reserve of \$311,494.24, shown in the previous year's consolidated balance sheet, which had not been deducted in any of the company's income tax returns for prior years, was returned to Surplus.

In our opinion, subject to the foregoing, and the acceptance of statements submitted by other independent auditors for the foreign branches and subsidiary examined by them, the accompanying consolidated balance sheet and related condensed statement of consolidated income and surplus, together with the notations thereon, fairly present, in accordance with accepted accounting principles consistently maintained by the companies during the year under review, the consolidated financial position of the companies at March 31, 1935, and the consolidated results of their operations for the year ended that date.

FREDERICK WM. GREENFIELD & Co.

New York, N. Y.
August 8, 1935.

BULOVA WATCH
(Incorporated in New York)
AND WHOLLY OWNED
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

Cash in banks, in transit, and on hand		\$ 973,674.89
New York City bonds—at cost (market value \$704,987.50)		688,606.25
Accrued Interest on New York City bonds		9,104.11
Other Securities—at the lower of cost or market		5,016.24
Gold bullion held abroad—converted into U. S. dollars at current rate of exchange	\$2,048,949.90	
Less—Reserve for excess of conversion into U. S. dollars at current rate of exchange, over cost	552,820.50	
		1,496,129.40
Notes and Accounts Receivable:		
Customers:		
Notes	\$1,355,165.80	
Accounts	887,236.85	
Total	\$2,242,402.65	
Less—Reserve for doubtful Notes and Accounts ..	274,763.57	
Net		1,967,639.08
Others (including due from Officers and Employees \$37,222.08)		38,335.14
Inventories—at cost or less		1,660,663.54
TOTAL CURRENT ASSETS		\$6,839,168.65
NOTES RECEIVABLE MATURING SUBSEQUENT TO MARCH 31, 1936		21,746.15
CASH SURRENDER VALUE OF INSURANCE POLICIES ON LIFE OF OFFICER		79,024.37
DUE FROM BULOVA WATCH COMPANY LIMITED		158,350.32
PLANT PROPERTY:		
Land and Buildings	\$ 71,638.44	
Machinery and Equipment	948,696.62	
Furniture and Fixtures	42,029.12	
Total	\$1,062,364.18	
Less—Reserves for depreciation	697,245.39	
Net Plant Property		365,118.79
DEFERRED CHARGES:		
Unamortized portion of improvements to leasehold property, unexpired insurance premiums, and prepaid expenses	\$ 23,204.51	
Funds in closed bank	4,716.15	
Conversion into U. S. dollars of liabilities and assets of foreign branches and subsidiary at current rates of exchange	10,460.11	
Total Deferred Charges		38,380.77
TOTAL		\$7,501,789.05

NOTATIONS:

Dividends on the cumulative preferred stock of Bulova Watch Company to March 31, 1935, have not been declared or paid.

The Bulova Watch Company, Inc. has commitments for the sale of which, if consummated, there would have been a loss of \$27,313.75, based on market

COMPANY, INC.

(In New York)

SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL POSITION, MARCH 31, 1935

LIABILITIES

CURRENT:

Loans Payable to foreign banks (gold bullion in foreign banks, pledged as collateral \$2,048,949.90)	\$1,992,600.56
Accounts Payable	256,683.22
Due to Salesmen.....	95,291.75
Accrued Salaries, Wages, Taxes, and other items	89,971.65
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TOTAL CURRENT LIABILITIES.....	\$2,434,547.18

REAL ESTATE MORTGAGES PAYABLE

(Swiss Francs 206,097.20).....	66,610.62
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CAPITAL STOCK:

Convertible preferred, without par value; dividends cumulative at \$3.50 a share; authorized and outstanding, 50,000 shares—at liquidation value, \$55.00 a share.....	\$2,750,000.00
Common, without par value; authorized, 325,000 shares; reserved for conversion of preferred capital stock, 50,000 shares; outstanding, 275,000 shares—at declared value.....	900,000.00
	<hr/>
TOTAL CAPITAL STOCK	3,650,000.00
EARNED SURPLUS	1,350,631.25
	<hr/>
TOTAL	<u>\$7,501,789.05</u>

Company, Inc. aggregating \$612,500.00, covering the period from October 1, 1931 to March 31, 1935, at an aggregate selling price of \$872,601.25, on which computations, if liquidated on March 31, 1935.

BULOVA WATCH COMPANY, INC.
and Wholly Owned Subsidiary Companies

CONDENSED STATEMENT OF CONSOLIDATED
INCOME AND SURPLUS FOR THE YEAR ENDED
MARCH 31, 1935

GROSS PROFIT FROM SALES	\$2,108,160.11
SELLING EXPENSES	\$831,969.24
GENERAL AND ADMINISTRATIVE EXPENSES	<u>350,738.84</u>
	<u>1,182,708.08</u>
PROFIT FROM OPERATIONS (after deducting depreciation \$126,564.61).....	\$ 925,452.03
INCOME CREDITS:	
Discounts on purchases	\$ 9,277.53
Interest earned	<u>13,372.57</u>
	<u>22,650.10</u>
GROSS INCOME	\$ 948,102.13
INCOME CHARGES:	
Discounts allowed customers	\$ 74,891.25
Provision for doubtful notes and accounts	333,716.44
Interest on loans	84,941.87
Excess of premium over increase in cash surrender value of insurance on life of officer.....	3,173.08
Loss from foreign exchange transactions	3,000.00
Federal, State, and City taxes	<u>60,390.01</u>
	<u>560,112.65</u>
NET INCOME FOR THE YEAR.....	\$ 387,989.48
EARNED SURPLUS—APRIL 1, 1934.....	667,957.30
ADDITION:	
Return to Surplus of April 1, 1934 reserve for doubtful notes and accounts because of change, effective that date, in method of treating bad debts.....	<u>311,494.24</u>
	<u>\$1,367,441.02</u>
DEDUCTION:	
Federal Income tax for the year ended March 31, 1934.....	<u>16,809.77</u>
EARNED SURPLUS—MARCH 31, 1935.....	<u><u>\$1,350,631.25</u></u>

NOTATION:

The Bulova Watch Company, Inc. has commitments for the sale of foreign exchange at an aggregate selling price of \$872,601.25, on which commitments there would have been a loss of \$27,313.75, based on market quotations, if liquidated on March 31, 1935.

Be sure the watch you give is a TIMEPIECE!

There is no gift so precious as a dependable timepiece . . . none that lives so long in useful service.

Select a Bulova! Regardless of the price you pay, it will be true to its trust, to tell time, on time, throughout the years.



LADY MAXIM—10 Kt. white rolled gold plate . \$24.75
10 Kt. rolled gold plate, natural gold color . 33.75



MISS AMERICA—10 Kt. white rolled gold plate . \$24.75



LADY BULOVA
2 diamonds;
10-kt. white
gold filled
\$39.75

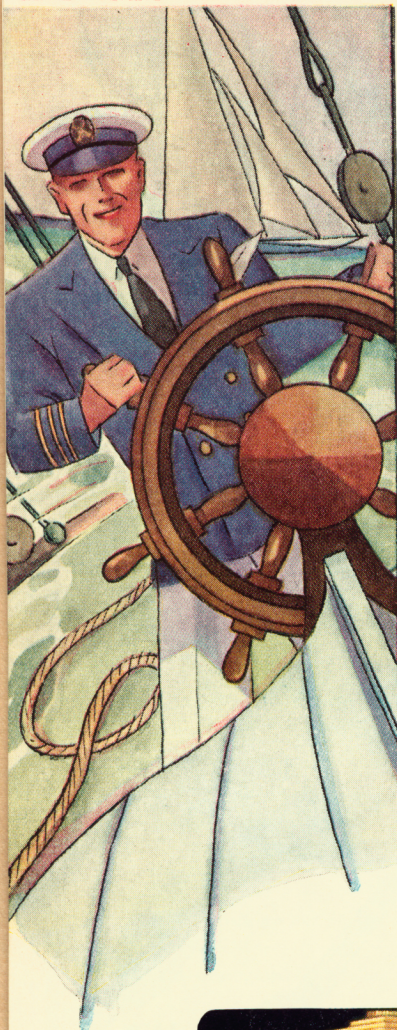
THELMA
17 jewels;
6 diamonds;
10-kt. white
or natural
gold filled
\$69.50

ELEANOR
17 jewels;
18 diamonds;
14-kt. white
solid gold
\$100.00

MARQUISE
...17 jewels;
36 diamonds;
14-kt. white
solid gold
\$150.00

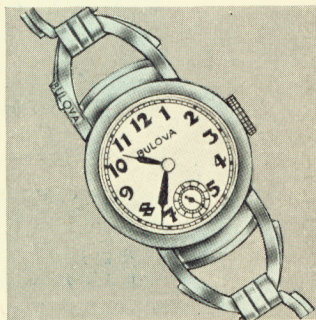
BEVERLY
... 17 jewels;
46 diamonds;
platinum \$195.00

We will gladly send you the names of Authorized Bulova Distributors in your vicinity

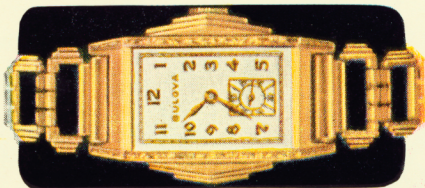


The
BULOVA
 COMMODORE

15 Jewels



10 Kt. white rolled gold plate \$24.75
 natural gold color 33.75



LONE EAGLE—17 jewels, 10 Kt. white rolled gold plate . \$39.75
 10 Kt. gold filled, natural gold color . . . 42.50



BRETON—21 jewels, 14 Kt. solid gold case;
 solid gold band to match . . . \$150.00
 Same movement in 10 Kt. gold filled case;
 band to match . . . 57.50