

BULOVA WATCH COMPANY
INCORPORATED

Report to Stockholders
March 31, 1937

BULOVA WATCH COMPANY
INCORPORATED



Board of Directors

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

Officers

ARDE BULOVA
Chairman of the Board and Treasurer

JOHN H. BALLARD
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 take pleasure in submitting herewith the Consolidated Balance Sheet of Bulova Watch Company, Inc. and its subsidiary companies as of March 31, 1937 and Condensed Statements of Consolidated Income and Surplus for the twelve months' period ended on that date, as well as the Accountants' Certificate attached to the same.

In many ways this is the most pleasing report that I have submitted to the stockholders in many years. The earnings for the past fiscal year have been the largest in your Company's history, being 70% greater than the earnings reported to the stockholders for the fifteen month period ended March 31, 1930, heretofore the Company's most profitable period.

The directors of your Company have been of the opinion, for some time, that simplification of the Company's financial structure would be desirable. During the past year, in view of the increasing earnings of the Company, the directors authorized the adoption of a Plan of Exchange under the terms of which each share of the \$3.50 Convertible Preferred Stock of the Company might be exchanged for one share of the Common Stock of the Company and \$22.50 in cash, plus dividends accrued on the Preferred Stock. Substantially all the shares of the Preferred Stock were exchanged for shares of Common Stock under the Plan of Exchange and the remaining shares of the Preferred Stock were voluntarily converted into shares of Common Stock or were called for redemption. The only stock of the Company now outstanding consists of 324,881 shares of Common Stock without par value. At the annual meeting you will be asked to approve an increase of the authorized number of shares of Common Stock from 325,000 to 500,000 shares, which, in the judgment of your directors, is at this time desirable.

During the twelve-month period ended March 31, 1937, the Company paid out to its stockholders an aggregate total of \$2,815,707.13. Of this amount, \$875,087.13 in accrued dividends was paid on the Preferred Stock, \$812,202.50 in dividends was paid on the Common Stock, and in addition, \$1,128,417.50 was paid in connection with the exchange and redemption of the Preferred Stock. While some of these payments were of a non-recurrent nature, the Company was nevertheless able to make them all out of its treasury funds without recourse to outside financing. In spite of this fact, the ratio of your Company's current assets to its current liabilities, at March 31, 1937, was 5.2 to 1, whereas a year earlier, this ratio was 4.5 to 1.

In addition to paying all the dividends accumulated on your Company's outstanding Preferred Stock, your directors voted to place the Common Stock, as far as possible, upon a regular \$4 dividend basis, payable quarterly, and from time to time to vote such extra dividends as in their judgment might be warranted by the earnings of the Company and by general conditions affecting the Company. During the fiscal year just passed an extra dividend of \$1.50 per share was voted on the Common Stock.

Sales for the current period are running materially ahead of the similar period last year and the merchandising and sales policies of the Company have tended to more firmly entrench the Company in its position of leadership in the industry.

ARDE BULOVA,
Chairman of the Board.

July 8, 1937.

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 Bienne, Switzerland, and Lac-ou-Villers, France), Fabrikgebaude, Weissensteinstrasse, No. 9 A. G., and Westfield Watch Company, Inc. (inactive) as at March 31, 1937, and of the related consolidated statements of income and earned surplus for the year ended that date. In connection therewith, we examined or tested the accounting and other corporate records of the companies in a manner and to the extent which we considered appropriate in view of the systems of internal accounting control maintained by them; 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.

The cash, securities, 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, 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 and the additions thereto are stated at cost values and are controlled by a conservative policy. Depreciation, considered to be adequate and amounting to \$64,132.27, has been provided for during the current year by charges to operations.

Provision has been made for the current year's taxes, and our examination indicated that all known liabilities appear in the consolidated balance sheet. However, the accompanying statements are subject to final determination by the Bureau of Internal Revenue for federal income and excess profits taxes for the taxable years subsequent to March 31, 1935 and for the surtax on undistributed profits for the year ended March 31, 1937.

In our opinion, subject to the foregoing, the accompanying consolidated balance sheet and related consolidated statements of income and earned surplus, together with the notations thereon, fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the consolidated financial position at March 31, 1937, and the consolidated results of their operations for the year ended that date.

FREDERICK WM. GREENFIELD & CO.
Certified Public Accountants

New York, N. Y.
July 8, 1937.

BULOVA WATCH COMPANY, INC.
(Incorporated in New York)
AND WHOLLY OWNED SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET, MARCH 31, 1937

A S S E T S	
CURRENT:	
Cash in banks and on hand.....	\$1,308,937.38
Securities—at the lower of cost or market.....	4,504.00
Notes and Accounts Receivable:	
Customers:	
Notes.....	\$2,882,131.92
Accounts.....	1,795,368.47
Total.....	\$4,677,500.39
Less—Reserve for Doubtful Notes and Accounts.....	612,376.84
Net.....	4,065,123.55
Others.....	7,517.07
Inventories—at cost or less.....	1,622,338.27
TOTAL CURRENT ASSETS	\$7,008,420.27
OTHER ASSETS:	
Notes Receivable maturing subsequent to March 31, 1938.....	\$ 8,901.18
Cash Surrender Value of Insurance Policies on life of Officer.....	96,985.25
Due from Bulova Watch Company Limited.....	103,504.18
	209,390.61
PLANT PROPERTY:	
Land and Buildings.....	\$ 71,638.44
Machinery and Equipment.....	918,585.86
Furniture and Fixtures.....	42,993.48
Total.....	\$1,033,217.78
Less—Reserves for depreciation.....	774,037.43
Net.....	259,180.35
DEFERRED CHARGES:	
Unexpired insurance premiums and prepaid expenses.....	\$ 14,553.61
Funds in closed bank.....	2,808.89
	17,362.50
TOTAL	\$7,494,353.73

LIABILITIES	
CURRENT:	
Accounts Payable.....	\$ 492,532.74
Due to Salesmen.....	246,552.34
Accrued Salaries, Wages, and Expenses.....	103,482.72
Accrued Taxes.....	459,007.08
TOTAL CURRENT LIABILITIES	\$1,301,574.88
REAL ESTATE MORTGAGES PAYABLE (Swiss Francs 184,500.00).....	42,075.23
TOTAL LIABILITIES	\$1,343,650.11
RESERVE FOR FOREIGN EXCHANGE FLUCTUATIONS.....	33,485.38

CAPITAL STOCK AND SURPLUS

	\$3.50 Convertible Preferred Stock	Common Stock	
CAPITAL STOCK (see Note A):			
Authorized shares without par value.....	50,000	325,000	
Issued:			
Shares outstanding March 31, 1936.....	50,000	275,000	
Preferred shares exchanged for common shares during year.....	49,861	49,861	
Preferred shares converted into common shares February 18, 1937.....	20	20	
Preferred shares redeemed March 1, 1937.....	119	—	
Shares outstanding March 31, 1937.....	None	324,881	\$3,699,881.00
EARNED SURPLUS.....			2,417,337.24
TOTAL CAPITAL STOCK AND SURPLUS			6,117,218.24
TOTAL			\$7,494,353.73

NOTE A — There was on deposit with Guaranty Trust Company of New York on March 31, 1937, in a segregated account, the sum of \$2,383.50 to provide for the redemption of 42 shares of \$3.50 Convertible Preferred Stock plus accrued dividends to March 1, 1937. The liability for the aforementioned 42 shares and the funds to meet such obligation are not reflected in the balance sheet.

There was also on deposit with Guaranty Trust Company of New York on March 31, 1937, in another segregated account, the sum of \$2,220.63 to provide for the exchange of 95 shares of \$3.50 Convertible Preferred Stock. The outstanding Common Stock shown in the balance sheet includes 95 shares, certificates for which are issuable in exchange for a like number of shares of \$3.50 Convertible Preferred Stock on deposit for exchange at March 31, 1937. The liability for the aforementioned 95 shares and the funds to meet such obligation are not reflected in the balance sheet.

At a meeting of the Board of Directors of the Company held on July 8, 1937, the officers of the Company were authorized, subject to the approval of the stockholders (who are expected to pass upon the proposal at the 1937 annual meeting), to execute and file a Certificate pursuant to Section 36 of the New York Stock Corporation Law which, upon being filed, will increase to 500,000 shares the number of authorized shares of Common Stock without par value and will reduce to \$2,521,132.50 the capital of the Company, as represented by 324,881 shares of such Common Stock now issued and outstanding.

NOTE B — The current assets and all liabilities of subsidiaries operating in foreign countries have been converted into U. S. dollars at the March 31, 1937 prevailing rates of exchange, while the plant properties are stated at the U. S. dollar cost prevailing at dates of acquisition.

BULOVA WATCH COMPANY, INC.
and Wholly Owned Subsidiary Companies

CONDENSED CONSOLIDATED STATEMENT OF
INCOME FOR THE YEAR ENDED MARCH 31, 1937

GROSS PROFIT FROM SALES	\$5,035,435.79	
SELLING EXPENSES	\$1,746,931.24	
GENERAL AND ADMINISTRATIVE EXPENSES	411,755.71	
		2,158,686.95
PROFIT FROM OPERATIONS (after deducting depreciation of \$64,132.27)	\$2,876,748.84	
INCOME CREDITS:		
Discounts on Purchases \$	17,695.44	
Interest Earned	29,683.67	
Profit on sale of Securities	5,619.04	
Profit on Conversion of Gold Bullion	455,972.72	
Profit on Foreign Exchange Transactions	119,355.40	
		628,326.27
GROSS INCOME	\$3,505,075.11	
INCOME CHARGES:		
Discounts allowed Customers	\$ 96,159.17	
Provision for doubtful Notes and Accounts	198,859.94	
Interest on Loans	22,366.07	
Excess of premium over increase in cash surrender value of insurance on life of officer	2,164.93	
Taxes—other than Federal Income and Excess Profits	117,947.96	
Federal Income and Excess Profits Taxes (including \$22,517.64 Surtax on Undistributed Profits)	424,454.54	
		861,952.61
NET INCOME FOR THE YEAR ENDED MARCH 31, 1937	\$2,643,122.50	

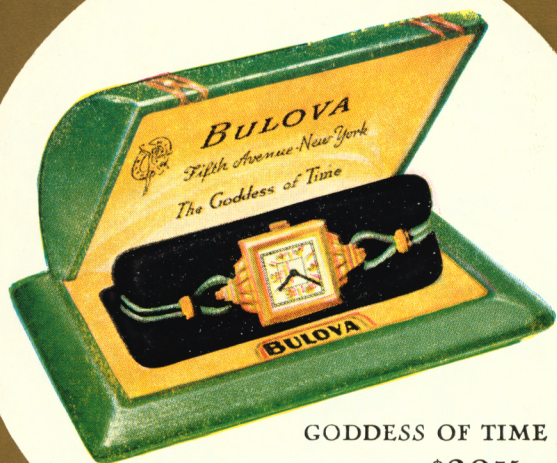
NOTE A — The results of subsidiaries operating in foreign countries have been converted into U. S. dollars at the March 31, 1937 prevailing rates of exchange, except that charges for depreciation of plant properties were computed at the U. S. dollar cost prevailing at dates of acquisition.

BULOVA WATCH COMPANY, INC.
and Wholly Owned Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNED
SURPLUS FOR THE YEAR ENDED
MARCH 31, 1937

BALANCE AT MARCH 31, 1936	\$2,649,554.37	
Add—Net Income for the year ended March 31, 1937	2,643,122.50	
		\$5,292,676.87
DEDUCT:		
DIVIDENDS:		
Convertible preferred stock:		
Accumulated dividends of \$16.625 per share to September 1, 1936 on 50,000 shares	\$ 831,250.48	
Quarterly dividend of 87½ cents per share to December 1, 1936 on exchange of 49,861 shares	43,628.40	
Two quarterly dividends, each of 87½ cents per share, to March 1, 1937 on redemption of 119 shares	208.25	
Common stock:		
\$2.50 per share paid March 23, 1937 on 324,881 shares	812,202.50	
TOTAL DIVIDENDS PAID	\$1,687,289.63	
Payment of \$22.50 per share on 49,861 shares of convertible preferred stock, and transfer to capital of \$1.00 per share for a like number of shares of common stock, issued in exchange for 49,861 shares of convertible preferred stock	1,171,733.50	
Transfer to capital of \$1.00 per share for 20 shares of common stock issued in conversion of a like number of shares of convertible preferred stock	20.00	
Redemption of 119 shares convertible preferred stock at \$55.00 per share	6,545.00	
Expenses in connection with exchange, conversion, and redemption of convertible preferred stock	9,751.50	
TOTAL DEDUCTIONS	2,875,339.63	
BALANCE AT MARCH 31, 1937	\$2,417,337.24	

BULOVA WATCHES



GODDESS OF TIME

17 jewels \$29⁷⁵

The Gift of a Lifetime!



PRESIDENT

21 jewels

\$49⁵⁰