

BULOVA WATCH COMPANY  
INCORPORATED

Report to Stockholders  
March 31, 1938



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.

On behalf of the Board of Directors, I submit herewith the Consolidated Balance Sheet of Bulova Watch Company, Inc. and its subsidiary companies as of March 31, 1938, and Condensed Statements of Consolidated Income and Earned Surplus for the twelve months' period ended on that date, as well as the Accountants' Certificate pertinent to these statements.

It must be gratifying to all stockholders, as it is to your management, that your Company for the past fiscal year obtained the largest volume of business in its history. However, the fact that a substantial percentage of the business done by the retail jewelry industry takes place in the Fall of the year, and, because of the reduction in volume of business throughout the country, Bulova distributors carried over a larger inventory of watches than was normally to be expected. This had its effect, of course, on the Company's volume of sales during the months of January, February, and March of this year, representing the last quarter of your Company's fiscal year. In spite of this condition, the year's operations resulted in a net profit of \$2,508,287.86, after deducting Federal and State taxes, and after making provisions for reserves which are believed adequate.

As stated in my report of the previous year, \$2,003,504.63 was needed for the exchange and redemption of all outstanding Preferred Stock, including the payment of accumulated dividends thereon, and \$812,202.50 was required for a dividend payment on the Common Stock, all of which was done without recourse to outside financing. Your directors, therefore, deemed it prudent to retain a part of the earnings accrued during the year ended March 31, 1938, to replace, in a measure, the aforementioned payments. Carrying out this policy, during the year ended March 31, 1938 dividends totaling \$1,299,524.00 were paid on the Common Stock and \$1,208,763.86 was added to Earned Surplus, thus increasing working capital by this sum. Your directors considered it highly desirable to retain this amount as additional working capital, although it entailed the payment of taxes on undistributed profits.

Although the net earnings of the Company, after the payment of all Federal taxes, were somewhat below the amount previously estimated, this decrease was brought about, in part, as a consequence of the establishment of additional reserves and year-end adjustments.

In accordance with the suggestion of the New York Stock Exchange, I am pleased to advise you that your Company's commitments for future purchases are not out of proportion to what it may reasonably expect to use in the conduct of its business, and it is not anticipated that any loss will be sustained in connection therewith.

The outlook for Fall business is beginning to show improvement. It is, nevertheless, apparent to your Officers that your Company will not attain the excellent volume of sales this year experienced by it during its previous year. Your Officers, however, feel confident that the well entrenched position of your Company, both in its industry and among jewelry consumers, will result in a continuation of the hitherto profitable operations of the Company, once the currently reviving optimism affecting business generally begins to be felt.

I look forward with optimism to the future and believe your Company will give a good account of itself in its field of activity.

ARDE BULOVA,  
*Chairman of the Board.*

July 5, 1938.

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 as at March 31, 1938, 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 \$66,470.58, has been provided for during the current year by charges to operations.

The Federal income tax returns for the years ended March 31, 1936 and 1937 have been audited during the year by the Bureau of Internal Revenue and additional tax liabilities for those years have been set up in the accompanying statements. Provision has been made for the current year's taxes, and our examination indicated that all known liabilities appear in the consolidated balance sheet.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related consolidated statements of income and earned surplus, 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, 1938, 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 1, 1938.



**BULOVA WATCH COMPANY, INC.**  
(Incorporated in New York)  
**AND WHOLLY OWNED SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEET, MARCH 31, 1938**

A S S E T S	
CURRENT:	
Cash in banks and on hand .....	\$ 532,117.61
Notes and Accounts Receivable:	
Customers:	
Notes .....	\$4,809,295.49
Accounts .....	1,697,996.88
Total .....	<u>\$6,507,292.37</u>
Less—Reserve for doubtful Notes and Accounts .....	783,596.86
Net .....	5,723,695.51
Others .....	15,586.62
Inventories—at cost or less .....	<u>2,647,137.44</u>
TOTAL CURRENT ASSETS .....	<u>\$8,918,537.18</u>
OTHER ASSETS:	
Allotment Certificate for 4% Debentures of the New York World's Fair 1939 Inc.—50% paid (see contra) .....	\$ 500,000.00
Notes Receivable maturing subsequent to March 31, 1939 .....	22,753.82
Cash Surrender Value of Insurance Policies on life of Officer .....	106,225.78
Due from Bulova Watch Company Limited .....	<u>394,681.78</u>
	1,023,661.38
PLANT PROPERTY:	
Land and Buildings .....	\$ 71,638.44
Machinery and Equipment .....	973,748.92
Furniture and Fixtures .....	42,993.48
Total .....	<u>\$1,088,380.84</u>
Less—Reserves for Depreciation .....	836,928.76
Net .....	251,452.08
PREPAID AND DEFERRED CHARGES .....	<u>26,192.37</u>
TOTAL .....	<u>\$10,219,843.01</u>

LIABILITIES	
CURRENT:	
Bank Loans .....	\$ 653,527.78
Accounts Payable .....	606,989.54
Due to Salesmen .....	454,455.46
Accrued Salaries, Wages, and Expenses .....	127,280.46
Accrued Taxes .....	791,910.96
Investment Subscription Payable (see contra) .....	<u>250,000.00</u>
TOTAL CURRENT LIABILITIES .....	\$2,884,164.20
REAL ESTATE MORTGAGES PAYABLE	
(Swiss Francs 176,500.00) .....	<u>40,515.58</u>
TOTAL LIABILITIES .....	\$2,924,679.78

**CAPITAL STOCK AND SURPLUS**

CAPITAL STOCK:	
Common, without par value:	
Authorized —500,000 shares	
Outstanding—324,881 shares	
—at declared value .....	\$2,521,132.50
CAPITAL SURPLUS .....	1,178,748.50
EARNED SURPLUS .....	<u>3,595,282.23</u>
TOTAL CAPITAL STOCK AND SURPLUS .....	7,295,163.23
TOTAL .....	<u>\$10,219,843.01</u>

NOTE A — The Capital Surplus arose out of the transfer from Capital Stock, as approved by the stockholders and in accordance with the Certificate filed July 29, 1937 in the office of the Secretary of State of the State of New York.

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, 1938 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, 1938

GROSS PROFIT FROM SALES.....		\$6,976,291.02
SELLING EXPENSES .....	\$2,678,794.35	
GENERAL AND ADMINIS- TRATIVE EXPENSES .....	471,852.19	
		<u>3,150,646.54</u>
PROFIT FROM OPERATIONS (after deducting depreciation of \$66,470.58) .....		\$3,825,644.48
INCOME CREDITS:		
Discounts on Purchases \$	25,793.64	
Interest Earned .....	24,570.84	
		<u>50,364.48</u>
GROSS INCOME .....		\$3,876,008.96
INCOME CHARGES:		
Discounts allowed Cus- tomers .....	\$ 127,276.69	
Provision for doubtful Notes and Accounts.....	236,434.28	
Interest on Loans, etc.....	35,573.99	
Loss from foreign ex- change transactions.....	2,025.00	
Excess of premium over increase in cash sur- render value of insur- ance on life of officer	1,992.73	
Federal Income and Ex- cess Profits Taxes (in- cluding \$129,246.24 'Surtax on Undis- tributed Profits) .....	710,802.82	
Social Security Taxes.....	81,046.99	
Other Taxes — State, City, Capital Stock, etc. ....	172,568.60	
		<u>1,367,721.10</u>
NET INCOME FOR THE YEAR ENDED MARCH 31, 1938 .....		<u>\$2,508,287.86</u>

NOTE — The results of subsidiaries operating in foreign countries have been converted into U. S. dollars at the March 31, 1938 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, 1938

BALANCE AT MARCH 31, 1937 .....	\$2,417,337.24
Add—Net Income for the year ended March 31, 1938 .....	\$2,508,287.86
Deduct — Dividends of \$4.00 per share, paid quarterly—each of \$1.00 per share — on 324,881 shares .....	<u>1,299,524.00</u>
Net Amount Transferred to Earned Surplus .....	1,208,763.86
	<u>\$3,626,101.10</u>
Deduct — Additional taxes for the years ended March 31, 1936 and 1937 .....	<u>30,818.87</u>
BALANCE AT MARCH 31, 1938 .....	<u>\$3,595,282.23</u>





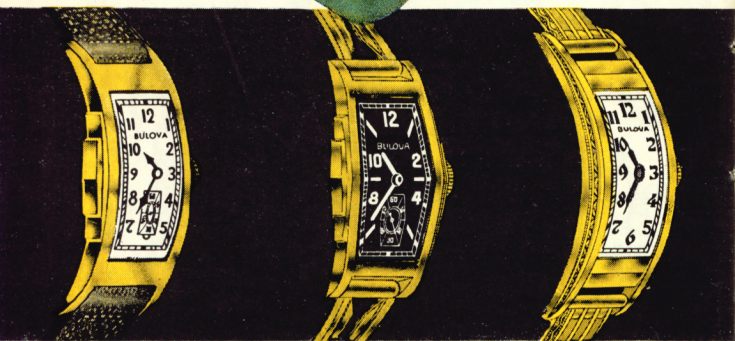
The New  
RITE-ANGLE  
by  
BULOVA  
Fifth Avenue New York

# The BULOVA "RITE-ANGLE" WATCH

TILTED  
AT THE  
RIGHT ANGLE

17 jewels  
\$29<sup>75</sup>

YOU SEE THE  
FULL DIAL AT  
A GLANCE!



**BANKER**  
15 jewels  
\$24<sup>75</sup>

**AMERICAN CLIPPER**  
17 jewels  
\$33<sup>75</sup>

**PRESIDENT**  
21 jewels  
\$49<sup>50</sup>



**RONA**  
Dainty  
accurate  
\$24<sup>75</sup>

**DEBUTANTE**  
17 jewels  
Streamlined  
\$37<sup>50</sup>

**LADY BULOVA**  
17 jewels  
4 diamonds  
\$49<sup>50</sup>

**PRISCILLA**  
17 jewels, platinum  
40 round diamonds  
6 baguette diamonds  
\$275<sup>00</sup>