

BULOVA WATCH COMPANY



*Report to Stockholders*

March 31, 1940



BULOVA WATCH COMPANY, INC.

*Board of Directors*

ARDE BULOVA

JOHN H. BALLARD

HARRY D. HENSHEL

*Officers*

ARDE BULOVA

*Chairman of the Board and Treasurer*

JOHN H. BALLARD

*President*

SAMUEL P. EPSTEIN

*Vice-President*

HARRY D. HENSHEL

*Secretary*

A. CARNOW

*Assistant Treasurer*

R. F. WARREN

*Assistant Secretary*

Executive Offices, 630 Fifth Avenue, New York

TO THE STOCKHOLDERS OF  
BULOVA WATCH COMPANY, INC.:

Because of the war, circumstances, and events that have taken place abroad, it might be well to give the stockholder a short resume of the Bulova Watch Company and its wholly owned subsidiaries.

The Bulova Watch Company is an American company with factories here and in Switzerland for the manufacture of complete watch movements and watch cases. The following factories are wholly owned subsidiaries of the Bulova Watch Company:

THE AMERICAN STANDARD WATCH CASE COMPANY in Providence, Rhode Island, with a branch factory at Sag Harbor, Long Island. These are complete plants for the manufacture of watch cases—from the raw metal to the finished product.


THE AMERICAN STANDARD WATCH COMPANY factory in Woodside, Long Island, with a subsidiary plant in Bienne, Switzerland, where complete watch movements are made.

These factories are equipped with the most modern, and most scientific machinery for the manufacture of watches and watch cases.

Because of war conditions abroad, and production in our Swiss factory being curtailed, we are fortunate to have our movement factory in Woodside, Long Island, where we have been able to increase our production substantially.

You might be interested to know that our organization has been built up with young employees who have come into our plants to be trained in the art of fine toolmaking, machine-building and watchmaking, all of which is being taught by our factory executives as a special training course to develop young people.

It is difficult to predict what economic and industrial conditions may unfold, but it should be gratifying for you to know that the company, with its efficient manufacturing facilities, and its excellent sales and merchandising organization under the able direction of its President, John H. Ballard, will continue to maintain its leadership in the watch industry.



Chairman of the Board

PRESIDENT'S LETTER TO STOCKHOLDERS

The demand for Bulova Watches this year has exceeded by far that of any year in the history of our business. There cannot be any greater endorsement of a product than this. It is also proof that our advertising and merchandising policies, which we have adhered to for many years, meet with the satisfaction and wholehearted endorsement of our distributors.

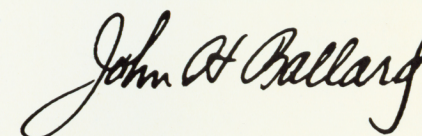
In presenting the annual financial statement of your Company for the year ended March 31, 1940, I wish to bring to your attention, as simply and briefly as possible, the progress your Company has made in the past year.

In regard to its financial position, it is gratifying to be able to advise you that your Company has earned \$2,705,954.24, of which there was paid for Federal, State, Social Security and other taxes, the sum of \$690,783.43, leaving a net profit of \$2,015,170.81, or \$6.20 a share. There was paid out in dividends, during the current year, a total of \$974,643, so that, after the payment of taxes and dividends, your Company was able to add to its capital and surplus the sum of \$1,040,527.81. This has placed your Company in excellent financial position, as there is sufficient cash on hand to take care of all its liabilities.

Because of the war in Europe, the Company's production of watch movements in its factory in Bienne, Switzerland, has been somewhat reduced. Although Switzerland is not at war, there has been complete mobilization, which has handicapped us in our factory operations there. However, you will be glad to know that in our factory in Woodside, Long Island, New York, we have expanded our organization and are increasing our production from day to day; this, we hope, will enable us to supply the increased demand for Bulova Watches.

For two generations the name BULOVA has been synonymous with fine craftsmanship. It was Mr. Joseph Bulova, who some 65 years ago, inculcated the cardinal principles on which this Company was founded—efficiency, precision and perfection—and Mr. Arde Bulova, his son, carries on these principles in our watch and watch case factories, which are under his supervision and organization.

I wish to avail myself of this opportunity to thank our employees, distributors, and stockholders for their loyalty, confidence, and cooperation.



President

BULOVA WATCH COMPANY, INC. AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET MARCH 31, 1940

ASSETS

CURRENT:	
Cash in banks and on hand .....	\$ 2,289,725.55
Notes and Accounts Receivable:	
Customers:	
Notes .....	\$4,297,683.00
Accounts .....	2,428,019.56
Total .....	\$6,725,702.56
Less — Reserve for doubtful Notes and Accounts .....	784,249.06
Net .....	5,941,453.50
Others .....	48,526.09
Inventories — at cost or less .....	2,511,708.71
TOTAL CURRENT ASSETS .....	\$10,791,413.85
OTHER ASSETS:	
Debentures of the New York World's Fair — Market Value .....	\$ 142,372.13
(Cost and Par Value \$451,975.00)	
Cash Surrender Value of Insurance on life of Officer .....	125,067.24
Due from Bulova Watch Company Limited .....	114,514.81
Notes Receivable maturing subsequent to March 31, 1941 .....	16,492.67
Funds in Canadian Bank .....	15,528.18
TOTAL OTHER ASSETS .....	413,975.03
PLANT PROPERTY:	
Land and Buildings .....	\$ 96,324.37
Machinery and Equipment .....	1,026,940.70
Furniture, Fixtures, and Leasehold Improvements .....	85,327.96
Total .....	\$1,208,593.03
Less — Reserves for Depreciation and Contingencies .....	999,157.42
Net .....	209,435.61
PREPAID AND DEFERRED CHARGES .....	29,795.24
TOTAL .....	\$11,444,619.73

LIABILITIES

CURRENT:	
Foreign Bank Loans .....	\$ 409,522.66
Accounts Payable .....	733,071.98
Due to Salesmen .....	402,593.67
Accrued Salaries, Wages, and Expenses .....	101,295.15
Accrued Taxes .....	598,180.10
TOTAL CURRENT LIABILITIES .....	\$ 2,244,663.56
REAL ESTATE MORTGAGES PAYABLE (Swiss Francs 163,500.00) .....	36,652.94
TOTAL LIABILITIES .....	\$ 2,281,316.50

CAPITAL STOCK AND SURPLUS

CAPITAL STOCK:	
Common, without par value:	
Authorized — 500,000 shares	
Outstanding — 324,881 shares at declared values .....	\$2,521,132.50
CAPITAL SURPLUS .....	1,178,748.50
EARNED SURPLUS .....	5,463,422.23
TOTAL CAPITAL STOCK AND SURPLUS .....	9,163,303.23
TOTAL .....	\$11,444,619.73

NOTE — The current assets and all liabilities of subsidiaries operating in foreign countries have been converted into U. S. dollars at the March 31, 1940 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  
 AND EARNED SURPLUS FOR THE YEAR ENDED MARCH 31, 1940

GROSS PROFIT FROM SALES .....	\$6,498,885.13
SELLING EXPENSES .....	\$2,627,519.65
GENERAL AND ADMINISTRATIVE EXPENSES .....	502,861.70
	3,130,381.35
PROFIT FROM OPERATIONS (after deducting depreciation of \$81,352.60) .....	\$3,368,503.78
INCOME CREDITS:	
Discounts on Purchases .....	\$ 25,414.82
Interest Earned .....	53,434.33
	78,849.15
GROSS INCOME .....	\$3,447,352.93
INCOME CHARGES:	
Discounts allowed Customers .....	\$ 128,326.71
Provision for doubtful Notes and Accounts .....	220,187.54
Interest on Loans, etc. ....	27,351.15
Net Cost of Insurance on life of Officer.....	1,401.26
Federal Income Taxes .....	531,759.54
Social Security Taxes .....	77,657.06
Other Taxes .....	81,366.83
Provision for decrease in value of New York World's Fair Debentures .....	309,602.87
Provision for Contingencies .....	54,529.16
	1,432,182.12
NET INCOME FOR THE YEAR ENDED MARCH 31, 1940 .....	\$2,015,170.81
Deduct — Dividends Paid:	
July 1, 1939— 50¢ per share .....	\$162,440.50
Oct. 2, 1939— 50¢ " " .....	162,440.50
Dec. 21, 1939—\$1.00 " " .....	324,881.00
Mar. 27, 1940—\$1.00 " " .....	324,881.00
	974,643.00
Transferred to Earned Surplus .....	1,040,527.81
Earned Surplus — April 1, 1939 .....	4,422,894.42
Earned Surplus — March 31, 1940 .....	5,463,422.23

NOTE — The results of subsidiaries operating in foreign countries have been converted into U. S. dollars at the March 31, 1940 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.

ACCOUNTANTS' CERTIFICATE

BULOVA WATCH COMPANY, INC.

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiary companies as at March 31, 1940, and the related consolidated statement of income and earned surplus for the year then ended. In connection therewith, we have reviewed the systems of internal control and accounting procedures, and have examined or tested the accounting and other corporate records of the companies by methods and to the extent we deemed appropriate.

Due to the disturbed conditions abroad, the accounts of the foreign branches have not as yet been reported upon by independent accountants; we have, however, been furnished with monthly statements of these branches as well as at March 31, 1940 and, in accepting and incorporating them in the consolidated statements, we have satisfied ourselves that they have been stated in conformity with the manner in which we would have prepared them.

Cash, Securities, and Notes were verified by inspection, or otherwise satisfactorily accounted for. Customers' accounts were reviewed in detail, and ample provision has been made for possible losses. Confirmations were received from 95% of the customers, selected by us, whose indebtedness represented a substantial portion of the total sum outstanding.

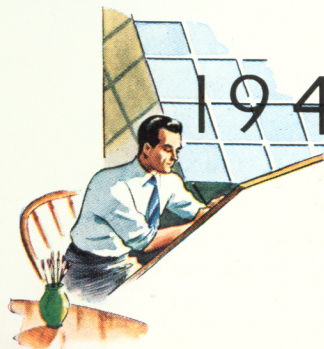
Inventories were verified by us as to prices and computations, compared with the inventory records, and test-checked as to quantities. On the basis of such tests, and the review of the corporate records, we satisfied ourselves that the inventories, priced at cost or less, are conservatively stated.

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, the accompanying balance sheet and related statement of income and earned surplus fairly present the consolidated financial position of Bulova Watch Company, Inc. and its subsidiary companies at March 31, 1940, and the consolidated results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FREDERICK WM. GREENFIELD & Co.  
 Certified Public Accountants

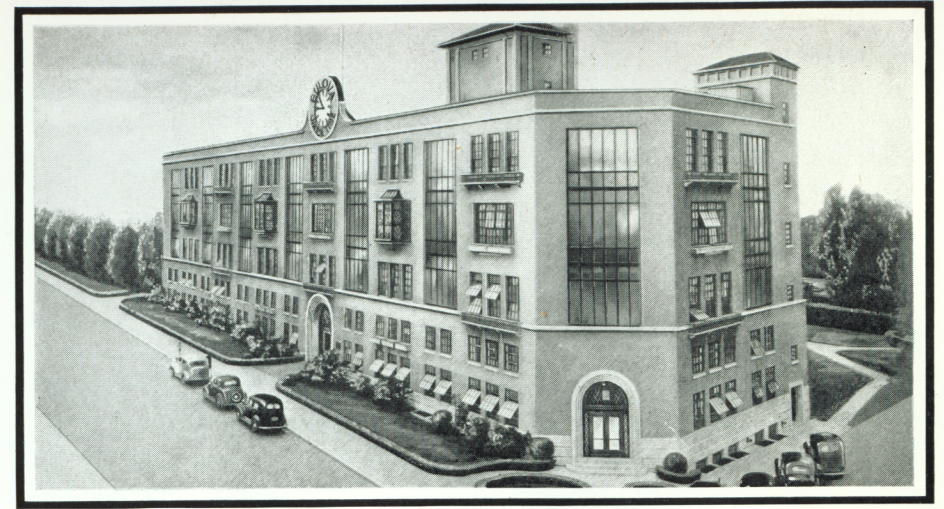
New York, N. Y.  
 June 20, 1940.



# 1940 Creations by Bulova!

Like the frame of a master painting ~ or the binding of a rare book ~ the case of each Bulova Watch is only the setting for the masterpiece within. The name "BULOVA" on the dial of a watch is your assurance that it will remain true to its trust ~ to tell time, *on time*, throughout the years!

The Bulova Factory, Woodside, Long Island, N. Y.



THE MOST MODERN, MOST SCIENTIFIC  
WATCH FACTORY IN THE WORLD—

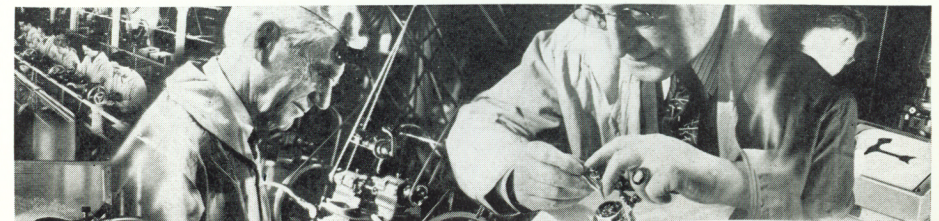
*Where Complete Bulova Watches Are Made!*

*I*magine an instrument so sensitive that it measures accurately to  $4/1,000,000$  of an inch . . . semi-automatic machines that cut gear teeth as tiny as  $4/1,000$ ths of an inch in width . . . precision drilling machines that drill holes as small as  $6/1,000$ ths of an inch in diameter!

Yet these are only a few of the hundreds of modern scientific precision machines used daily in the manufacture of Bulova Watches.

Here, in the Bulova factory at Woodside, New York, mechanical genius has reached its highest degree of perfection . . . Here is created the world famous Bulova movement — the “Masterpiece of fine watchmaking”!

BULOVA WATCH CO. • FIFTH AVE., N. Y. • WOODSIDE, N. Y. • SAG HARBOR, N. Y.  
WALTHAM, MASS. • BIENNE, SWITZERLAND • PROVIDENCE, R. I.



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to a nation of busy people!*

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*to every home in America!*



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