

BULOVA

Annual Report 1961

FOR THE YEAR ENDED MARCH 31





ACCUTRON*

World's New Standard of Accuracy!



The most unusual timepiece ever created. Transparent dial lets you see the space-age movement in action. 14KT gold case and alligator strap. **\$250.00**



Totally new timepiece design in brilliant stainless steel with 14KT gold inlay. Genuine alligator strap. Available with black dial. **\$175.00**



A perfect blend of highly faceted 14KT gold case and classic dial. Also available in 14KT white gold. **\$250.00**

BULOVA

WATCH COMPANY, INC.

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Providence, R. I.



Neuchatel, Switzerland



Sag Harbor, N. Y.



Toronto, Canada



Bienne, Switzerland

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HIGHLIGHTS

YEAR ENDED MARCH 31, 1961

	<u>Year Ended March 31</u>	
	1961	1960
NET SALES	\$68,731,270	\$66,606,126
*PROFIT BEFORE INCOME TAXES	\$ 3,307,923	\$ 5,621,649
*PROFIT AFTER INCOME TAXES	\$ 1,511,239	\$ 2,669,649
NET PROFIT FROM OPERATIONS AFTER INCOME TAXES Per Share	\$.68	\$ 1.37
SPECIAL NON-RECURRING ITEM Per Share	\$.10	\$ —
*TOTAL PROFIT AFTER INCOME TAXES Per Share	\$.78	\$ 1.37
CASH DIVIDENDS Per Share	\$.60	\$.60
CURRENT ASSETS	\$50,629,529	\$45,013,706
CURRENT LIABILITIES	\$17,108,464	\$10,293,884
CURRENT ASSET RATIO	3.0 to 1	4.4 to 1
WORKING CAPITAL	\$33,521,065	\$34,719,822
SHARES OUTSTANDING	1,949,286	1,949,286
STOCKHOLDERS' EQUITY Per Share	\$ 19.73	\$ 19.53

*Including Special Item for 1961.

General Omar N. Bradley, chairman (left) and Harry B. Henshel, president, inspect one of the tiny tuning forks that is setting a new standard of timekeeping accuracy in the new Bulova "Accutron" electronic wrist timepiece—the first major change in personal timekeeping in 300 years.



BULOVA WATCH COMPANY, INC.
BULOVA PARK
FLUSHING 70, N. Y.

June 16, 1961

TO OUR STOCKHOLDERS:

Fiscal 1961, ended March 31, will stand in the history of Bulova—and of the watch industry—as the year of the Accutron.

This was the year in which the first watch to keep time through electronics, the most spectacular breakthrough since the invention of the watch itself, became a commercial reality, establishing an entirely new standard of accuracy in personal timekeeping and new concepts of timing and time measurement technology for space-age defense and industrial applications.

Accutron, priced at \$175 to \$395, was marketed successfully—with sales exceeding carefully calculated goals—in the trough of a recession that cut deeply into the jewelry business and into the profits of retailers and manufacturers of conventional watches.

Sales of Accutron, from its introduction in the fall to the end of the fiscal year, consumed our full production capacity for it. Quickly recognized as the finest timepiece money has ever been able to buy, it gained acceptance in the finest outlets of the United States and in the several selected foreign test markets for which we reserved limited supplies. The initial introduction was restricted to 32 markets in 27 states. Since January 1 sales have been extended nationally.

The basic Accutron mechanism recently demonstrated its precision and reliability to the space program as a special tuning device aboard the Explorer XI satellite. The timer was preset by the National Aeronautics and Space Administration to permit broadcasts to be made about one experiment for one month and then switch the transmitter to another. Despite extremely rugged environmental conditions, including exposure to intense radiation, the device performed its task on schedule.

A further discussion of Accutron and its significance will be found on Page 9.

NET GAIN IN VOLUME

Total net sales of Bulova for the fiscal year were

\$68,731,270, an increase of 3 per cent over fiscal 1960 despite the sudden and severe downturn in jewelers' watch purchases which occurred in the fall and persisted with increasing severity through the first quarter of calendar 1961, Bulova's fourth fiscal quarter. The net gain was derived from the invasion of Accutron in the higher price watch market, from the continued growth of our radio business, and from sharply increased sales of industrial and defense products.

PROFIT SACRIFICED FOR PROGRESS

As foreseen and projected in our last annual report to stockholders, but with additional pressure from the downturn in general business activity, earnings were severely penalized by the concurrence of several major basic projects in Bulova's program for expansion of its business on this continent and in world commerce. If these plans were to be realized there was no choice other than to implement them as the opportunities occurred. It would have been much more comfortable for a company of Bulova's size and capital resources to spread these phases of its diversification and expansion over several years had the timing been a matter of choice.

The demands on capital funds, for costs involved in these projects required the extensive use of bank credit with an attendant increase in interest charges as a further offset to earnings.

The one element of "cost" that could not be foreseen was the impact of the recession on anticipated sales of consumer merchandise. The economic axiom that when the top of the volume is removed there is a disproportionate drop in earnings was emphasized when in the last fiscal quarter the expected upturn in conventional watch sales did not materialize.

Net earnings for the fiscal year were \$1,511,239, equivalent to 78 cents per share of common stock. Earnings for fiscal 1960 were \$2,669,649, or 1.37 per share.

FINANCIAL POSITION

Despite these cash requirements and the pressures on earnings, the ratio of current assets to liabilities at the year's end was 3.0 to 1 compared with 4.4 to 1 at the end of fiscal 1960 and working capital was \$33,521,065 compared with \$34,719,822 at the previous year's end. Regular cash dividends at the rate of 60 cents per annum were paid in quarterly installments of 15 cents each.

A TREND TOWARD QUALITY

There is something of a paradox in the fact that in a year when the volume of consumer purchases was low and when jewelers, generally, were living on their inventories, there was a consistent trend toward recognition of and demand for quality, more apparent than at any time since World War II.

A NEW SOURCE OF VOLUME

We believe that this growing appreciation of quality in timepieces has significance for the approaching introduction of our new Caravelle line as well as for our watches in the middle and upper price ranges. Great numbers of watch purchasers in the United States have been exposed to confusing concepts of quality by the intense efforts of some manufacturers of cheaply made short-lived, base metal pin-lever watches at retail prices of \$10 or less. This price range constitutes a market of some 8,000,000 units per year. There is fertile ground for education toward precision-built jewel-lever watches that can be merchandised at prices between those of the cheap watch and the lower edge of Bulova's current price range. This fact is recognized by others in the industry and other importers and manufacturers are beginning to court the market with low-priced jewel-lever watch imports. Being able to draw on its Japanese, Swiss and American sources which can be equaled by no single competitor, Bulova has attained a position of considerable advantage. Priced at from \$12.95 to \$29.95 the Caravelle line is expected, in time, to add importantly to Bulova volume and earnings. Because of the sales effort, attention and capital involved in the introduction of Accutron, and the time required by our Japanese and Swiss suppliers to reach full production of Caravelle movements, marketing of the

Caravelle line was deferred to the current fiscal year.

RADIOS AND PHONOGRAPHS

For the eighth consecutive year since its first sets were introduced, Bulova's sales of radios through retail jewelers reached a new high, showing a gain of eight per cent over fiscal 1960, even though the recession was a limiting factor. Two "firsts" in transistor radios—the cigarette-package-size "Bantam," made by one of the finest electronics companies in Japan to Bulova specifications under quality control by resident Bulova engineers, and the slightly larger "Spacemate" which receives both standard and short wave broadcasts—were outstanding successes. Bulova made history in the radio industry with an unprecedented full-year guarantee on all of its radio sets. This guarantee was also extended to the hi-fi four-speed stereo phonograph line which was improved and enlarged.

INTERNATIONAL OPERATIONS

Bulova International, Ltd. made substantial progress during fiscal 1961 as the spearhead of an aggressive bid for world markets. This subsidiary concerns itself with the extended development of most areas of trade outside of the United States. Administrative headquarters, where orders are processed, are maintained at Fribourg, Switzerland, which is also sales headquarters for Europe.

New outlets in the Far East have been opened through newly appointed, well qualified exclusive representatives in Australia, Borneo, Hong Kong, Japan, Malaya and the Philippines, Singapore, Thailand, and Vietnam, and through additional watch distributors in Central and South America. We are continuing to study and will enter, when timely, all other free world markets in which we are not presently active.

In August, 1960, we acquired a 51 per cent interest in Recta Watch Company of Bienne, Switzerland—one of the few basic Swiss watch manufacturers—which for many years has been one of our suppliers. The company also manufactures compasses and other instruments and its facilities are suitable for adaptation to other products.

INDUSTRIAL AND MILITARY PRODUCTS

All of the areas in which Bulova has engaged—

research, development, manufacture and sale of industrial and military products—advanced in fiscal 1961 in terms of scientific achievement, diversification, volume of sales, earnings, and potential dimensions. These activities accounted for approximately 30 per cent of the Company's total gross revenue for the year.

Recognition of Bulova's unique accomplishments in integrating watchmaking and electronics skills in micro-miniaturization and precision manufacture continues to enlarge the scope of prime defense assignments as well as subcontracts and orders from leading American manufacturers covering development work and complex components and subsystems for defense programs and industrial applications.

Twenty great American industrial companies call upon Bulova for advanced development work or avail themselves of Bulova's skills and facilities for precision manufacture.

In March 1961 Kenneth E. Fields, formerly general manager of the Atomic Energy Commission, was elected executive vice president of Bulova Watch Company, Inc., to direct all non-consumer product and service activities. Among these are the Research & Development Laboratories, American Time Products, and the Electronics, Industrial and Military Products and Photographic divisions. We feel most fortunate in securing the services of this outstanding engineer and administrator.

The Research & Development Laboratories continued in fiscal 1961 to solidify their role in the missile program as a leading developer of missile warhead devices. Its revenues have increased some 300 per cent in four years and the work continues to grow in importance to Bulova's potential volume and earnings. One highlight of this year was final development and initial production of a new type of safety-arming ignition device for solid propellant missiles which produced orders in seven figures from four major makers of solid propellant engines, notably for the vital Minuteman and Polaris programs. Subsequent developments from this basic igniter design—a family of separators, thrust terminators and destructors for application to the new missile programs point toward providing the Company with a new group of products that should be an important source of revenue.

The Electronics Division again enjoyed the greatest relative growth in volume and earnings

of any single segment of the Company in fiscal 1961. Traditional product lines centering about the quartz crystal and its utilization in precision frequency control devices were expanded and introduced to a growing list of customers. A new product line—toroidal and potcore coils and transformers—was successfully introduced as part of the division's new subsystem capability.

American Time Products, for 25 years a leading manufacturer of watch repair service equipment, is also a manufacturer of frequency control devices. We believe that combination of this facility and the Electronics Division establishes Bulova as the largest manufacturer in the field of frequency control. The tuning fork principle of frequency control has been the basis of the Watch-Master watch rate tester widely used by watch repairmen for the last 25 years. The intense interest in applications of the tuning fork induced by Accutron has greatly broadened the horizons of these divisions.

The Industrial & Military Products Division's position as a manufacturing arm of the Company continues to grow. Its largest current source of volume, and one in which substantial growth is projected, is a group of electro-mechanical timers for the Sandia Corporation for use on projects of the Atomic Energy Commission. Arming and fuzing devices for missiles are being manufactured for a number of the most important missile programs.

The Photographic Division continued its steady growth as a highly specialized development group devoted principally to designing and producing small quantities of reconnaissance cameras and specialized photo equipment for the Air Force. Virtually all of its work is rated as "classified" by the Government and cannot be discussed in detail.

THE FOUR STAGE PROGRAM

Bulova is "on time" as it enters the fourth stage of a four-part growth program.

Fiscal 1959 could well be called the prototype year. In that year the present range of new products—to which the Company looks for sustained growth in volume and earnings—had passed through research and development and prototypes had arrived at the pre-production tooling stage. It should be noted here that Bulova's philosophy of engineering new products has been to concentrate on developments that promise long

product life and to avoid, where possible, the pitfalls of obsolescence. Accutron is an outstanding example of this planning.

Fiscal 1960 was the year of transition to manufacture—the final tooling and refinement of techniques for commercial production. Accutron was the most complex and important example of this stage in that year. Fiscal 1960 was also a year in which the ground was laid for adding the lower price brackets to our markets for watches, examples of which were our arrangement with Citizen Watch Company of Japan, and placement of orders in Switzerland for special movements.

Fiscal 1961 was the third stage; the actual start-up of production lines, ironing out the production processes and of some introduction and initial promotion.

This year, our fiscal 1962, is the first year of the “selling” phase with a measure of relief from many of the extraordinary costs of the first three phases of the program. Product development, of course, will continue, and we will continue to invest substantially in research to broaden our horizons but we now are approaching a period which should produce accelerating volume and improved earnings.

LOOKING AHEAD

The Bulova plan for growth must be viewed in its entirety in order to place a single year's earnings in its proper perspective. The business this year will continue to bear part of the burden of tooling, start-up and introduction of Accutron which is being amortized on a basis of units of its production. We are hopeful that the rate of absorption will be such that Accutron will contribute to earnings even in the current fiscal year.

Jewelers' inventories are at a level at which we can reasonably expect a rising trend of watch sales. Its peak, as usual, will come in the early fall. We have invested heavily in inventories of our popular watches, taking advantage of the economies of long-run production schedules, which will ensure adequate stocks for the peak seasons. It was once said of Bulova that some of its competitors lived on the volume that Bulova could not supply in the rush seasons. We do not expect to suffer again from such a condition.

It is possible that the total sales of industrial and military products this year will not entirely offset phase-outs in projects that contributed

heavily to fiscal 1961 volume, but this lost volume is being rapidly replaced by newer developments and the latter months of the year should find us with a satisfactory backlog of orders and commitments.

A significant percentage of the Company's total current volume is in products that did not exist three years ago.

Bulova is on the move and out in front in the quest for shares of a growing market for watches here and throughout the world, and is constantly strengthening its position in space-age technology.

All of these factors point to an improvement in earnings, the immediate extent of which will, of course, depend largely upon the rate of the general economic recovery.

The Company's diversified activities are discussed in other sections of this report with greater detail than could be included in this message.

With deepest sorrow we record the death, on May 15, 1961, of Colonel Harry D. Henshel, aged 70, member of the Board of Directors of the Bulova Watch Company since 1932 and its vice chairman since 1958.

Through 43 years of service with the Company, Colonel Henshel made many contributions to its growth and stature. A wise counselor in business, with a distinguished record of service to his country and to a broad range of public spirited enterprises, he was respected and beloved and will be sorely missed by his associates.

In conclusion we should like to express sincere thanks to all employees for their part in the progress made in these active years; to our stockholders for their interest in the affairs of the Company and to our customers for their enthusiastic sponsorship of our products.

Respectfully submitted,

Omar N. Bradley *Harry B. Henshel*

OMAR N. BRADLEY
Chairman of the Board

HARRY B. HENSHEL
President

CONSUMER PRODUCTS

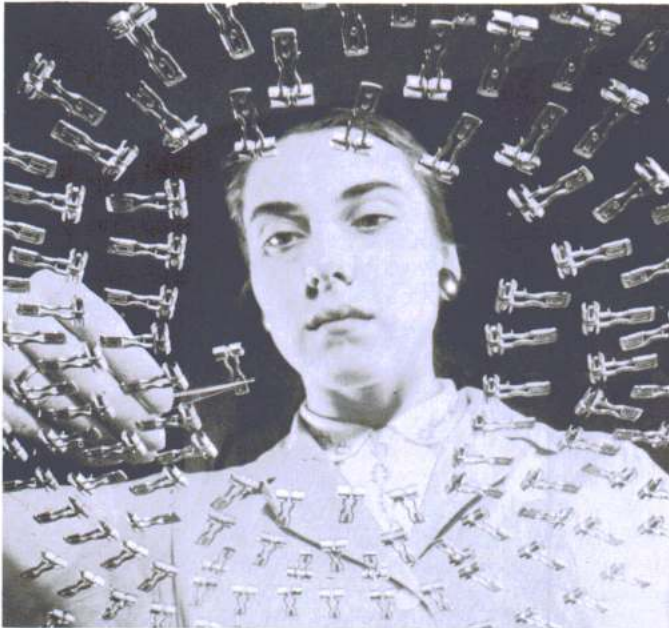
ACCUTRON

Early work on Accutron was started in Switzerland in 1952 at Bulova's factory at Bienne. Many of the components and materials used were not then commercially available anywhere. A notable example was the tiny transistor used in the electronic circuit. At the time it was designed no transistor of such small size with suitable capacity existed, but the circuitry was conceived in the now well justified belief that rapid advances in transistors would bring a suitable type into existence when it was needed.

In 1956 the working prototypes were brought to the Jackson Heights, Long Island plant for continued development and engineering into a product that could be manufactured in volume. This revolutionary timekeeping concept of a watch without springs or escapement is operated by an electronically activated tuning fork. Production techniques never before used in the watch industry had to be devised. World-wide patent and trademark protection has been obtained for the "Accutron" timepiece.



Dial side (left) and back of new Accutron show both handsome styling and midget cell (on fingertip) that powers the revolutionary new timepiece.



Mass production and inspection of precision tuning forks required for the Accutron timepiece have been set up at Bulova during the past year.



New electronic checking instruments have been installed to assure that every Accutron tuning fork vibrates precisely 360 times per second making possible guaranteed timekeeping accuracy to within one minute per month in use.



Tiny coils are wound with spiderweb-like wire drawn by Bulova because no outside source could meet the rigid requirements of the Accutron electronic circuitry. Each coil contains 8,000 turns of wire which is one-fifth the thickness of a single human hair.

PRODUCTION

Accutron's unprecedented performance requires new levels of precision from the tools, the machines and the people engaged in making it. During the past fiscal year production tooling and machinery for the manufacture of Accutron were completed in nine months despite the fact that many new types of electronic equipment had to be devised. Coated wire, so fine as to be barely perceptible, never before produced except in laboratories, is being made in quantity on Bulova-designed equipment. Machinery for winding Accutron coils and many other special fixtures have been built by Company engineers. Special machinery and molds of extremely intricate design and close tolerance requirements for coil-form fabrication were designed and built. Machinery was built for production of index wheels of high precision and strength in the small size required. Exotic new alloys of rare metals used in tuning fork production presented new challenges that were met by our toolmaking and manufacturing department and by metallurgical engineers engaged in material and quality control.

The success of this concentrated program constituted an exceptional performance on the part of engineering and manufacturing personnel.

OTHER APPLICATIONS

Even before Accutron was ready for introduction to the consumer market, miniaturized timing devices operating on the same principles and employing Accutron components had been ordered by National Aeronautics and Space Administration to perform vital timing tasks in satellites.

Any timing operation that requires a high order of timekeeping accuracy from a self-powered, miniaturized instrument operating in remote areas with extreme reliability and consistency is an example of Accutron application. The armed forces, industry and science, as well as the U. S. space program, have many such

World-wide attention was focused upon Accutron when displayed recently at World's Watchmaking Fair in Basle, Switzerland.



needs. Other applications include the timing of switches on remote pipeline valves, the sequencing of switches to activate periodic signals from weather stations and activating signals for the operation of remote military weapons where a radio signal would be impractical.

Accutron's guaranteed performance standards are better than those now used for such critical timing applications as marine navigation, commercial aviation and railroad timing. Representatives of these and many other important industries have shown lively interest in applying Accutron and its principle to their specific timing problems.

TRADE FAIRS

In April, Accutrons assembled in Switzerland, the nation that witnessed its inventive birth, were exhibited at the "world's fair of watchmaking," the Swiss Industries Exposition in Basle, to an estimated one million visitors. Leading watch buyers from more than 27 nations examined Accutron and other products in the Bulova booth.

Accutron and Bulova also created high interest at the great international fairs in Milan and Tokyo.

MINIATURIZATION AWARD

The ability of Bulova's watchmaking and electronic technology to produce all of the unique Accutron elements in a wrist-watch-size instrument has been one of the most significant aspects of its development. This achievement received nationwide recognition when Bulova was declared the winner of the 1960 Miniaturization Award against a host of noteworthy and much larger corporations entered from many fields of world science and industry. This award is given annually to products that exhibit ingenuity in solving basic miniaturization problems of broad industrial interest, introduce new design concepts with wide potential applications in miniaturization, and utilize new types of components and assemblies that extend the frontiers of miniaturization.



Giant working model provided thousands of visitors from every continent with detailed view of the operation of the revolutionary Accutron timepiece at the Tokyo Watch Fair.

1960 Miniaturization Award trophy here being accepted by William O. Bennett, research and engineering vice president, (lower picture) was won by Accutron in competition with 117 other entrants for furthering the concept of miniaturization.



WATCHES

There is no thought that Accutron will in the foreseeable future cause commercial obsolescence of conventional or electric watches. Accutron's cost obviously places it in the higher-price watch category although its performance is well beyond that of timepieces that are far more expensive to buy. By its very nature it will remain in that category for some time to come. It should achieve early domination of this market for high performance, prestige and special purpose timepieces, a market that in itself is large and growing larger. In 1960 sales of timepieces retailing at \$150 or more in the United States totaled more than \$90,000,000.

REGULAR WATCH LINE

The "President" and "First Lady" watches, featured in the spring and fall of calendar 1960, offered important styling innovations. The current feature watch—the 1961 waterproof "Sea

King"—is available in 12 models. Its extreme thinness, dependability, and styling are exceptional in the \$39.75 to \$65 price range—the range that continues to account for highest unit sales volume among quality-minded buyers.

Ladies' diamond watches have continued in relatively strong demand leading to further expansion in our diamond line, which is the broadest in the industry.

RADIOS AND STEREO PHONOGRAPHS

The highly successful line of transistorized radios, some of which are made in Japan under Bulova's specifications and quality control and introduced last year, continued to gain in acceptance, enhanced by the first full-year guarantee in the radio industry.

The "Tempest," smallest of the line, and the slightly larger "Conquest," which receives both standard and short wave broadcasts, are "firsts" that are expected to offer continued gains in total radio sales.

Current models include five midsize transistorized radios and seven pocket-size models.

Our transistorized radios are also offered in attractive gift packages that include carrying case, battery and earphone attachment.

Bulova table radios now include the "Entertainer" whose unusual styling has given it important sales features over other radios in the under-\$25 market and the "Modulator," Bulova's first combination AM-FM table radio.

Extensive styling changes have been made in Bulova clock radios of which there are four models. Six stereophonic phonographs are now available, priced from \$79.95 for the portable to \$199.95 for the walnut-cased console with built-in AM-FM radio.

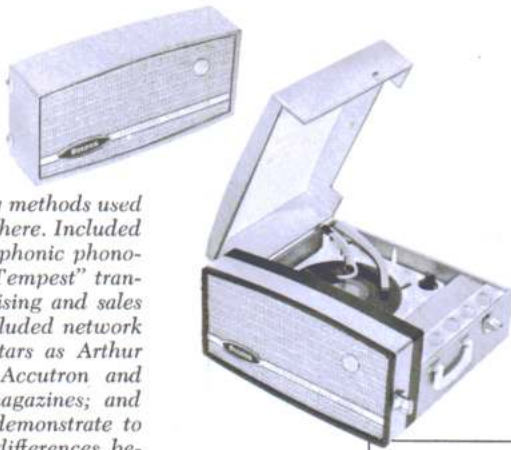
GIFT AND AWARD SALES

Studies show that 80 per cent of all U. S. industrial firms use gifts and awards. Eight out of ten report that they plan to spend more this



Feature watches for 1961—the "First Lady" (right) and the "Sea King" (left) flank scene of delicate lapping operations in the Providence plant that help assure beauty that matches the quality of every Bulova watch, regardless of price.

Two new products and three of the many methods used to promote them during 1961 are shown here. Included is one of the line of new portable stereophonic phonographs (top) and the new, pocket-size "Tempest" transistorized radio (bottom). Bulova advertising and sales promotion programs during the year included network television spectacles featuring such stars as Arthur Godfrey, full-page advertisements for Accutron and other products in leading consumer magazines, and counter-top displays that dramatically demonstrate to retail jewelers' customers the "inside" differences between all-metal, pin-lever watches and every precision-made, jeweled Bulova model.



year in this field than the 1960 national average of \$5,387.

Bulova's broad line of unique quality gift items, together with aggressive merchandising, expanded promotional aid to customers, special packaging, and custom services are giving the Company an increasingly important position in this \$300-million market.

SALES PROMOTION AND ADVERTISING

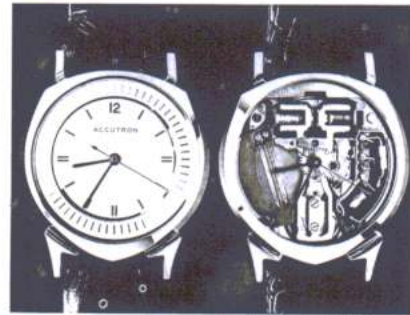
The Accutron introduction was the most extensive publicity, advertising and sales promotion effort ever devoted to the initial merchandising of a single timekeeping product.

Following its initial appearance in October, news of the timekeeping breakthrough represented by Accutron appeared in virtually every newspaper in the country; in many news, consumer and scientific magazines, and on radio and television and in hundreds of publications abroad. As would be expected, all of the jewelry trade magazines gave detailed descriptions of the new timepiece and its revolutionary principles.

A motion picture—"Space, Science and Time"—produced by Bulova with the cooperation of the National Aeronautics and Space Administration and relating Accutron to other achievements of the space age, is now being shown before civic groups and on local television stations throughout the country.

Advertising in financial, trade and general interest publications followed the nationwide introduction and hundreds of jewelers have featured Accutron in local advertising campaigns.

On the foundation of the broad public awareness of Bulova and its products generated by this campaign, current advertising and sales promotion activities were designed to dramatize the significant differences between all Bulova watches and other makes—both jeweled and non-jeweled—and to stress the emphasis that Bulova places on quality in all of its products.



What is ACCUTRON?

It's the only basic advance in personal timekeeping in 300 years. It runs on a tuning fork. It doesn't tick. It hums. It's the first timepiece ever guaranteed accurate on your wrist.



Traditional watches use an intricate mechanical movement of gears and springs to measure time. A complete set of gears is required to keep a watch running and accurate. These gears are made from a variety of materials, including steel, brass, and gold. They are subject to wear and tear, and their accuracy can be affected by temperature changes and magnetic fields. Accutron, on the other hand, uses a quartz crystal as its timekeeping element. This crystal vibrates at a precise frequency when an electric current is applied to it. This vibration is converted into electrical pulses that are used to drive the watch's hands. Accutron is made of metal. It is accurate to within 15 seconds a month. It is guaranteed accurate for 10 years. It is the only timepiece ever guaranteed accurate on your wrist.

ACCUTRON BY BULOVA

inside look proves **BULOVA**
JEWELLED QUALITY YOUR BEST BUY

All metal works

Rough, stamped parts have short life, available performance

Jeweled lever movements

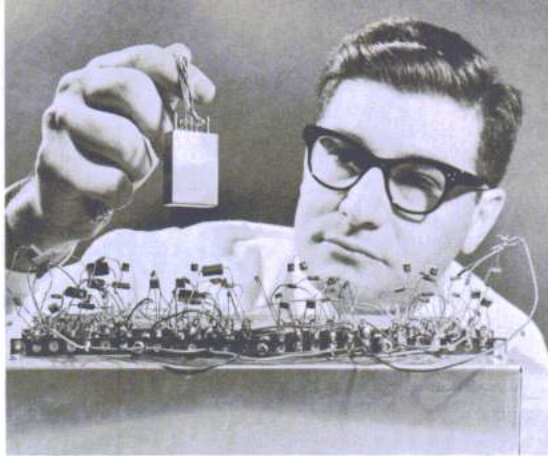
Precision jeweled bearings, finest materials assure long accurate service.

BULOVA
best to give · best to get

Television spectacles were selected as a means through which this important story could be told effectively to consumers. Pat Boone, idol of the teen-agers, was featured in the first of the series, "A Salute to Spring," on ABC-TV in April, followed by the "Arthur Godfrey—Bulova Special" on CBS in May. Heavier use of advertising in leading popular magazines will add to our penetration of the mass market, particularly in the weeks just ahead of the traditional gift-buying seasons.



Missile engine igniters for Minuteman are checked after individual environmental testing to assure safety before launch, and to insure reliable ignition at launch and during flight. The Bulova Laboratories is developing other similar electro-mechanical devices for solid-propellant engines.



Miniaturization of electronic components is demonstrated by Bulova engineer who holds solid-state 4-binary module evolved from experimental "breadboard" in foreground.



Scanning radiometer simulator is typical of Bulova-developed equipment needed for analysis of advanced fire control system design.

INDUSTRIAL AND DEFENSE PRODUCTS AND SERVICES

BULOVA RESEARCH & DEVELOPMENT LABORATORIES

SPORTS ACTIVITIES

Bulova's program of making available through its jewelers precision hand timers for local sports events enjoyed record participation. Eighty-three-hundred timer loans were made during the past track and swimming seasons.

Bulova's Phototimer, improved and re-introduced for the 1960 indoor track meets, continues to aid judges and provide precise timing (to 1/100 of a second) at events at Madison Square Garden in New York and major championship contests elsewhere.

EDUCATION FOR RETAILERS

Twenty-six executives and managers of retail jewelry stores—a record number—attended the 21st school of Jewelry Store Management and Merchandising sponsored by the Joseph Bulova School of Watchmaking and the New York University school of retailing in cooperation with the Retail Jewelers Association of America.

Participants came from 15 states, Australia, Puerto Rico and Canada.

The two-week course provided opportunity to exchange retail jewelry experiences, compare know-how and explore new administrative sales opportunities and techniques under the guidance of experts in the more than 30 fields covered.

Since its institution 12 years ago the school has afforded training opportunities for retail jewelers from 45 states, the District of Columbia, eight Canadian provinces and three foreign countries.

The Bulova Research & Development Laboratories continued in their 11th year of operations, to maintain a steady rate of growth and diversification in their role as one of the nation's leading electro-mechanical, electronic and advanced development product research and development facilities, principally for defense products.

Both billings and employment reached a record high during the year. It is expected that Laboratories this year will experience some interruption in rate of growth because one of the major development programs of the past several years—the warhead control system for the Pershing missile—is nearing completion.

The Laboratories' reputation in the development and manufacture of highly reliable safety-arming devices for 19 missiles resulted this year in several contracts for design and production of a new sure-safe igniter for solid-propellant missile engines. Employing the same design techniques needed to assure complete safety of warheads until the proper time for arming, the research division evolved an entirely new type of igniter. This new program is well under way.

Bulova's new igniter in early tests so successfully fulfilled its dual task (maintaining missile engines "safe" throughout storage and pre-launch, and assuring that the engines would "arm" and fire as scheduled) that the nation's four major solid-propellant engine makers—

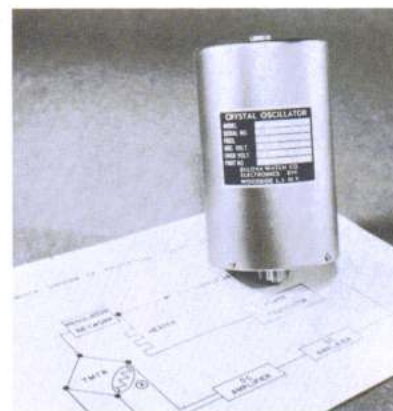


New training device for infantrymen under development at Bulova is this infrared-rifle that "shoots" other soldiers with beams of infrared — hits are registered by beams instead of bullets. Power source and detection equipment will be "packaged" in a canteen-size container that soldiers can carry on hip.



Sample filters needed for military optical systems are being checked by Bulova physicist who is calibrating monochrometer unit of new spectrophotometer.

Proportional control "oven" helps critical electronic components at correct operating temperature with a stability of 0.01 degree C.



Thiokol Chemical Corporation, Hercules Powder Company, Aero-Jet General Corporation and Allegheny Ballistics Laboratory—all have ordered prototype production quantities for specific missile programs notably the all-important Minuteman and Polaris.

The success of the recent launching of the first Minuteman missile when all three stages were fired was due in part to these igniters.

From this basic igniter design, our electro-mechanical engineers have brought forth a family of devices, including separators, thrust terminators and destructors, for application to the new missile programs. Bulova was asked recently to develop a "Standardized" design for igniters and similar devices applicable to future solid-propellant engines.

OTHER MISSILE PROGRAMS

Minuteman, and to some extent, Polaris, are becoming increasingly important to the Laboratories because of several other programs. For the Minuteman, Bulova developed a mechanical decoder for Radio Corporation of America; and, for the Polaris, a special electro-mechanical device for the Navy's Bureau of Weapons.

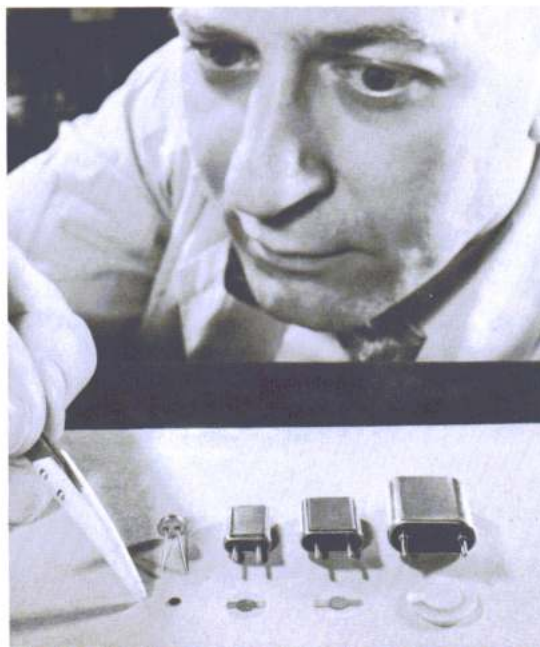
For the Air Force, the Laboratories have fabricated a unique safety-and-arming system and have completed a study on a novel airburst fuze. A contract extension was received from Picatinny Arsenal during the year for development of the safety-arming system and fuze for the Army's new Shillelagh anti-tank missile. A study program is in progress for Vickers Electric, Ltd. and Clevite Corporation with a view to adapting an American-designed warhead to England's Vigilant anti-tank missile for possible use by NATO nations. Other programs for Army arsenals include development of a detonating fuze for the Vigilante cannon

for Picatinny Arsenal, and research studies for Frankford Arsenal in infrared fire control methods and a new tactical weapon system. In addition, a flight test program for an infrared homing anti-tank missile has been funded by Frankford Arsenal.

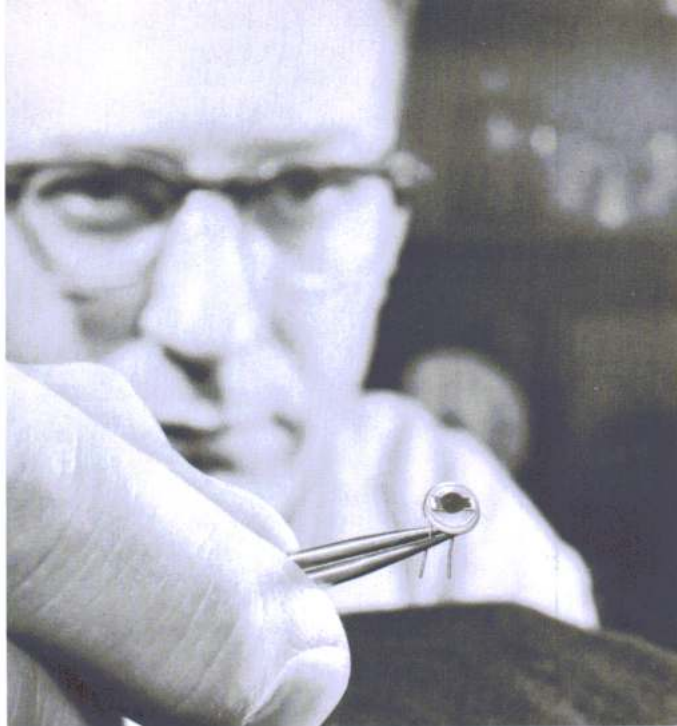
Several proprietary research projects sponsored by the Company and other corporations are scheduled for prototype completion within the next several months. Among these projects are a voice-controlled device, a miniature recording device, and a new type of television scan conversion system. Work is continuing also, with the Douglas Aircraft Company, Inc., on developing a telemetering altimeter.

Other research, study and development programs now in progress for various government agencies include a miniature programmer for missiles and rockets, a glide-angle indicator light, various training and target devices and a radiation measurement program.

Several devices on which development work was completed during the year—such as



Decade of Bulova's quartz crystal experience is demonstrated in line-up of crystals and their cans (containers) illustrating a military model of 1952 (at right) and a new sub-miniature variety (at left).



Micro-module quartz crystal developed by Electronics Division for the Army under a program directed by Radio Corporation of America is about one-fiftieth the size of its immediate predecessor. This tiny unit was designed for use in radar defense systems.

a line of miniature servo amplifiers and dual-channel timers for the Sandia Corporation—were transferred to other divisions in the Company for manufacture and subsequent marketing.

ELECTRONICS DIVISION

The Electronics Division enjoyed its eighth consecutive year of sales and product growth. This division occupies its own 32,000-square-

foot facility in Woodside, N. Y., several miles from the Company's main plant.

Sales in fiscal 1961 registered a gain of 32 per cent, and the division management is confident of a further increase in the current year.

The engineering staff has achieved a national reputation as expert in the fields of frequency control and crystal filter devices. The division is one of the nation's leading manufacturers of precision crystal ovens and precision crystal filters.

Customers include virtually every corporation that develops and produces precision communications and telemetering equipment for military and space applications. The division's products have a part in 24 major national defense programs.

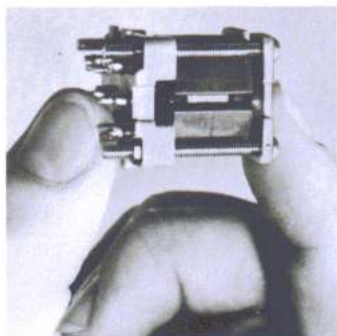
One of the most successful products—a transistorized servo amplifier series—first introduced a year ago, now fills a former components "gap" in many of the high-performance defense and advanced industrial systems. The amplifier was designed and developed by the Research & Development Laboratories and assigned to the Electronics Division for production engineering, manufacture and marketing. The amplifiers are made as 3.5-, 6- or 12-watt units. Priced at \$110 to \$210 each, these are potentially a large volume item, since there are many thousands of applications to which they are suited.

The crystal engineering laboratory established a year ago is proving its worth as a valuable engineering and marketing aid to customers. A new coil manufacturing department is producing toroidal-wound and potcore coils used as inductors and transformers in 40 variations, several of which are unique in the industry.

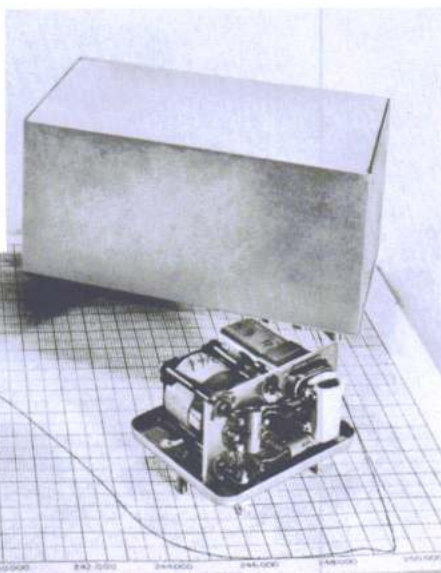
Fiscal 1961 was a record year for new products, of which the following are examples:

- A proportional oven using a stepless feedback control system that eliminates several of the unwanted characteristics long associated with thermostat-controlled ovens.
- A miniature oven for controlling four

New line of pot-core coils (shown) and toroidal coils and inductors were successfully introduced for high-performance military applications.



Family of filters developed by Electronics Division — used to "sort-out" electrical signals — includes nearly fifty varieties for commercial and military needs, generally in the narrow band width high frequency range.



Sterile hoods needed to assure clean assembly and test of critical devices such as this dual-channel timer are typical of specialized facilities being added to Industrial and Military Products Division area in Jackson Heights plant.

diodes for airborne computers.

- A “variable” oven designed with an unusually large “cavity” and an integral epoxy board for use by engineers in customizing their own product “breadboards” within a precision oven.
- An extremely stable frequency standard especially designed for use in missiles.
- New crystal filters that range up to frequencies of 30 megacycles, and border on the unknown in this art.

The largest single project in the division for the past several years has been with The Martin Company for production of guidance control communications equipment for the Bullpup missile. Contracts for this missile passed the million-dollar amount during the year.

AMERICAN TIME PRODUCTS

This area of Bulova's business is well known among the nation's watchmakers, on the one hand, and designers of precision frequency transmitting equipment on the other. One of its principal commercial products used widely by watch repairmen and manufacturers is the Watch Master watch rate tester, which uses precise vibrations of an electronically-driven tuning fork as a time standard, the Watch Master ultrasonic cleaner, and the Elimag watch demagnetizing device.

Industrial and military applications of American Time's frequency standards products are found in ground support equipment for Polaris, Nike-Zeus and Bomarc and in the DEW (Distance Early Warning) radar defense line; in power stations to assure steady 60-cycle, for instance, current for home and industry; in precision clocks, and in facsimile equipment.

American Time moved recently to new quarters in the plant at Woodside, N. Y., which also houses two other divisions of the Company. The year also saw a continued trend to development of more frequency standards



Fabrication of triggering devices for Bullpup missile is typical of small-run precision manufacturing capabilities of Bulova's non-consumer products divisions.

for industrial and defense applications. Development of several new types of products based on the tuning fork will be initiated during the coming year.

INDUSTRIAL & MILITARY PRODUCTS DIVISION

The Industrial & Military Products Division continues to broaden its sales base and its diversity of products. Sales increased by approximately 25 percent and its backlog is the highest in the division's history.

The dual-channel electro-mechanical timers for the Sandia Corporation in its work for the Atomic Energy Commission is the largest current project and promises increased volume over the next several years. Special “clean-room” assembly and test areas have been constructed within the Jackson Heights plant to accommodate the project.

The division holds contracts from the Navy's Bureau of Naval Weapons for warhead control devices for the Tartar, Talos and Terrier missiles. Also, for the Terrier, it is manufacturing integrating accelerometers under contract from Minneapolis-Honeywell Regulator Company. A triggering mechanism for the Bullpup missile is made for The Martin Company. Specialized mechanical devices requiring

watchmaker-precision, such as actuators and constant speed drives, are being manufactured for General Electric Company, Sikorsky Aircraft Division of United Aircraft Corporation and Lycoming Division of Avco Corporation.

Increasing importance is being attached to product development. One new development, recently announced, that demonstrates the Company's combination of watchmaking and electro-mechanical skills, is a "watch-controlled linear potentiometer," designed for use on printed circuits to control program and cycling needs in applications such as ground checkout and telemetering equipment. Among the first customers for this novel device is Sanders Associates, Inc., who is using it to control cycling operations within a new type of computer. Typical of new devices being developed for specific customers are a special mechanical timer for General Electric Company and an electro-mechanical pulse chopper for DeHavilland Aircraft of Canada, Ltd.

This division's manufacturing capability will play a key part in the Company's plans for increased activity in the fields of industrial timing and specialized electro-mechanical timing and integrating devices.

PHOTOGRAPHIC DIVISION

Development and production of airborne reconnaissance systems by the Photographic Division—including specialized cameras and their controls—increased slightly in fiscal 1961. Profits were significantly improved. Backlog remained relatively high during the year and it is expected that division sales beyond the \$1 million mark will be realized this year in this smallest company-owned operating unit whose importance in our defense effort far transcends its size.

The division's contracts are principally for classified military work. It has, however, also received development contracts from General Electric Company and General Dynamics Corporation.

Among the several types of cameras that

the division is developing are stellar recording, panoramic, sequence, motion picture and ballistic recording.

A recent development among the many types of cameras that have been designed by the division is a sequence type of camera capable of taking as many as 40,000 photos automatically as rapidly as one every three seconds. It is believed to be one of the most compact of its type available—about one-third the size of a professional 16 mm movie camera—and uses one-tenth the power of a typical commercial sequence camera. It weighs five pounds, including a 500-foot roll of 16 mm film and self-contained power supply.

INSTRUMENT JEWEL BEARING DIVISION

All production of the Instrument Jewel Bearing Division is for the Government, either for the stockpile of critical materials or for special precision components produced by contractors for military or space programs. The division's plant at Rolla, N. D., is a government facility which is operated by Bulova at cost and a dollar-per-year fee.

The Rolla plant is the only domestic mass manufacturer of instrument jewel bearings, and would be the only practical source of supply for the military, if foreign sources were cut off in an emergency.

The greater part of the Rolla plant's production of bearings is of standard designs for the stockpile, but recent directives from the Office of Civil and Defense Mobilization and the Department of Defense have notified prime contractors and government arsenals to procure their current requirements from Rolla and to avail themselves of Rolla's design experience for development of unique types. The National Aeronautics and Space Administration recently cited Rolla as the only known source of a special type of orifice jewel bearing needed for one of the new space programs.

Bulova has managed the plant, trained

Wheeling "Watchmakers" — members of the Joseph Bulova School of Watchmaking track and field team — practice their specialties for the National Wheelchair Games sponsored by the School annually in June for physically handicapped from throughout the country.



all of the production force, and maintained a team of production and design specialists at the plant since 1952 when it was first established at the request of the military services. Nearly all of the plant's production workers are Chippewa Indians from the nearby Turtle Mountain Reservation. The project has been cited repeatedly for its important assistance in Indian problems and as an example for industry.

THE PEOPLE OF BULOVA

To attract and hold employees who possess the crafts and skills required for the varied operations that go into every Bulova product, the Company places great emphasis on the maintenance of progressive employee-management relations practices. Modern wage and salary programs; comprehensive pension, group insurance, and sickness and accident benefits; modern working environment, and extensive employee training and advancement opportunities are among the benefits designed to give Bulova the most competent and enthusiastic working force in the watch industry.

Total employment at the end of fiscal 1961 was 4648.

There are in the Company 1155 who have been associated with Bulova for 10 to 20 years, 458 for 20 to 30 years and 67 for 30 to 41 years.

College scholarships totaling more than \$50,000 were awarded by the Bulova Watch Company Foundation, Inc. during the year to 32 sons and daughters of company employees, bringing to more than \$310,000 the amounts awarded colleges and eligible students whose parents have been employed by the Company for five years or more.

Each winner receives a stipulated amount each year for college expenses. An additional grant is made to the school if the winner selects a privately endowed college or university. Selections are made by an independent vocational counseling organization and are based on high school activities, scholastic achievement, personal interviews and aptitude tests.

JOSEPH BULOVA SCHOOL OF WATCHMAKING

Enrollment of physically handicapped men at the Joseph Bulova School of Watchmaking reached 94 this spring, a new high except for the several years immediately after World War II when double shifts were held to accommodate many veterans. Increasing demand for watchmaking skills in the missile industry, and the institution's wide reputation for educational and rehabilitation excellence are the reasons for the steady increase within the last several years.

During the 16 years of operations some 700 have graduated to gainful employment.

The fifth annual National Wheelchair Games, held each year during June at Bulova Park, drew more than 120 physically handicapped athletes from throughout the country to compete in track, field, and swimming events. Several events for women were held for the first time. The School was the principal sponsor last fall of the first composite U. S. A. team to compete in the Stoke-Mandeville Games (called international "paralympics") held in Rome immediately after the XVIIth Olympiad. The American squad placed third, Italy and England winning first and second places.

Another major program is the formation of a nationwide committee to sponsor future sports programs for physically handicapped and to foster rehabilitation through active spectator sports projects.

All of the School's activities are sponsored by the Bulova Watch Company Foundation, Inc. and the Bulova family fund.

SOURCE OF FUNDS

	<i>Year Ended March 31</i>	
	1961	1960
From operations:		
Net income for year	\$1,511,239	\$2,669,649
Charges against income not requiring funds:		
Depreciation	936,589	952,111
Deferred Federal taxes on income	<u>(101,800)</u>	<u>(98,590)</u>
	<u>2,346,028</u>	<u>3,523,170</u>
 Proceeds from sales of capital assets, excluding gains reported in net income	 <u>9,281</u>	 <u>20,315</u>
	<u>2,355,309</u>	<u>3,543,485</u>

USE OF FUNDS

Dividends to stockholders	1,122,824	1,136,313
Additions to plant property	670,692	351,302
Instalment paid on 3½% sinking fund notes	450,000	450,000
Purchase of company's capital stock	392,653	144,592
Deferred charges	374,022	(108)
Sundry assets	543,875	(91,483)
Increase or (decrease) in working capital	<u>(1,198,757)</u>	<u>1,552,869</u>
	<u>2,355,309</u>	<u>3,543,485</u>

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

Year Ended March 31, 1961 with Comparative Figures for 1960

	<i>Year Ended March 31</i>	
	1961	1960
NET SALES	\$68,731,270	\$66,606,126
COST OF GOODS SOLD	<u>48,301,572</u>	<u>45,087,884</u>
GROSS PROFIT FROM SALES	20,429,698	21,518,242
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>14,677,249</u>	<u>13,174,593</u>
PROFIT FROM OPERATIONS (after deducting depreciation: 1961 - \$936,589; 1960 - \$952,111)	<u>5,752,449</u>	<u>8,343,649</u>
INCOME CHARGES (net) :		
Taxes, other than income taxes	1,682,461	1,555,631
Interest paid (less interest earned: 1961 - \$65,659; 1960 - \$83,969)	561,978	283,926
Contributions to employees' retirement plans	488,356	754,327
Contributions to charities	164,998	164,683
Dividend income	<u>(36,567)</u>	<u>(36,567)</u>
INCOME BEFORE INCOME TAXES	<u>2,861,226</u>	<u>2,722,000</u>
U.S. AND FOREIGN INCOME TAXES (NOTE B)	1,580,000	2,952,000
NET INCOME BEFORE SPECIAL ITEM	<u>1,311,223</u>	<u>2,669,649</u>
SPECIAL ITEM:		
Reserve provided in prior years, no longer required, net of related Federal income taxes	<u>200,016</u>	<u>—</u>
NET INCOME FOR THE YEAR INCLUDING SPECIAL ITEM	1,511,239	2,669,649
DEDUCT DIVIDENDS PAID— \$.60 per share	<u>1,122,824</u>	<u>1,136,313</u>
EARNED SURPLUS AT BEGINNING OF THE YEAR	388,415	1,533,336
EARNED SURPLUS AT END OF THE YEAR (retained for use in the business)—(NOTE C)	<u>28,320,160</u>	<u>26,786,824</u>
	<u>\$28,708,575</u>	<u>\$28,320,160</u>

(See Notes to Financial Statements)

BULOVA

WATCH COMPANY, INC.
AND SUBSIDIARIES

CONSOLIDATED

March 31, 1961 with Comparative

	<u>Year Ended</u>	<u>March 31</u>
	1961	1960
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,352,203	\$ 2,951,421
Marketable securities, at cost and accrued interest (quoted value: 1961 - \$100,313; 1960 - \$248,324)	100,740	247,284
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1961 - \$905,247; 1960 - \$975,671)	19,053,077	20,275,091
Other receivables	591,093	413,961
Inventories, at cost or less	22,478,580	15,301,108
U. S. Government contracts:		
Accounts receivable	1,826,697	1,465,403
Inventories	1,300,505	1,180,089
Reimbursable expenditures	1,650,040	2,825,940
	<u>4,777,242</u>	<u>5,471,432</u>
Prepaid expenses	276,594	353,409
Total current assets	<u>50,629,529</u>	<u>45,013,706</u>
OTHER ASSETS:		
Investment in capital stock of Tiffany and Company, at cost (book equity January 31, 1961 - \$2,739,339; January 31, 1960 - \$2,618,554)	2,240,400	2,240,400
Capital stock, at less than cost, held for resale to officers and employees (quoted value 1961 - \$1,519,035; 1960 - \$980,640). (NOTE C)	1,379,841	987,188
Sundry	1,148,070	604,195
	<u>4,768,311</u>	<u>3,831,783</u>
PLANT PROPERTY, AT COST (NOTE B):		
Land, buildings and improvements	7,578,571	7,550,289
Machinery and equipment	3,345,311	4,424,081
Furniture, fixtures and leasehold improvements	335,286	572,173
	<u>11,259,168</u>	<u>12,546,543</u>
Less accumulated depreciation	4,555,989	5,568,186
	<u>6,703,179</u>	<u>6,978,357</u>
DEFERRED CHARGES	395,039	21,017
	<u>\$62,496,058</u>	<u>\$55,844,863</u>

(See Notes to Financial Statements)

BALANCE SHEET

Figures at March 31, 1960

	<u>Year Ended March 31</u>	
	1961	1960
LIABILITIES		
CURRENT LIABILITIES:		
Unsecured notes payable to banks and others	\$ 9,093,425	\$ —
Accounts payable	3,373,557	3,728,380
Accrued salaries, wages, commissions and expenses	2,284,001	2,774,860
Accrued domestic and foreign taxes	1,907,481	3,340,644
Instalment on 3½% sinking fund notes due within one year (NOTE C)	450,000	450,000
Total current liabilities	<u>17,108,464</u>	<u>10,293,884</u>
3½% SINKING FUND NOTES DUE MAY 1, 1969 — less instalment due within one year (NOTE C)	<u>5,750,000</u>	<u>6,200,000</u>
DEFERRED FEDERAL TAXES ON INCOME — principally tax on accele- rated amortization of emergency facilities (NOTE B)	<u>1,182,589</u>	<u>1,284,389</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$5 par value:		
Authorized 3,000,000 shares		
Outstanding 1,949,286 shares	9,746,430	9,746,430
Earned surplus (retained for use in the business)—(NOTE C)	<u>28,708,575</u>	<u>28,320,160</u>
Total stockholders' equity	<u>38,455,005</u>	<u>38,066,590</u>
	<u>\$62,496,058</u>	<u>\$55,844,863</u>

(See Notes to Financial Statements)

NOTES

TO FINANCIAL STATEMENTS

NOTE A:

The consolidated balance sheet includes assets and liabilities located in Switzerland and Canada as follows:

	1961	1960
SWITZERLAND:		
Current assets	\$2,145,240	\$1,596,539
Other assets	682,779	251,107
Total assets	<u>\$2,828,019</u>	<u>\$1,847,646</u>
Liabilities	<u>\$ 510,567</u>	<u>\$1,056,216</u>
CANADA:		
Current assets	\$2,980,009	\$2,542,926
Other assets	113,316	104,463
Total assets	<u>\$3,093,325</u>	<u>\$2,647,389</u>
Liabilities	<u>\$ 326,319</u>	<u>\$ 149,383</u>

All foreign currency items have been converted at prevailing rates of exchange.

NOTE B:

Property covered by certificates of necessity became fully amortized for tax purposes during the year ended March 31, 1959. Deferred Federal taxes on income set up in prior years to provide for the temporary tax benefit arising from the excess of tax amortization over normal depreciation are being returned to income to offset taxes related to normal depreciation recorded in the accounts not deductible for tax purposes.

NOTE C:

The parent company is obligated to pay \$450,000 against the 3½% sinking fund notes on May 1, 1961 and on May 1 of each year thereafter. Additional payments may be made in any year but if such additional payments exceed \$450,000 in any one year a premium must be paid on the excess.

Under the terms of the notes the company has agreed not to permit its working capital to fall below certain prescribed limits, and has also agreed to restrictions on the creation of additional funded debt and on various other matters. The terms of the notes place certain restrictions on the payment of dividends, other than stock dividends, and on the purchase or retirement of shares of the company's stock. The net effect of these restrictions is to limit the maximum amount which could be expended for dividends and stock purchases after March 31, 1961 to \$2,563,079 plus subsequent earnings, less annual sinking fund payment of \$450,000.

NOTE D:

Federal income tax returns for the years ended March 31, 1956 and prior have been examined by the Treasury Department and all taxes for such years have been settled.

NOTE E:

Profits under contracts with the United States Government subject to renegotiation have been cleared through the year ended March 31, 1960. Management is of the opinion that no excess profits were realized for the year ended March 31, 1961.

NOTE F:

Charges against income applicable to current service costs of the company's retirement plan for the year ended March 31, 1961 were less by approximately \$188,000 (after giving effect to the related reduction in Federal income taxes) than they would have been if computed on the basis used in recent prior years. Because market value of the retirement fund's investments is substantially in excess of cost and because current income from investments (exclusive of any contributions) exceeds payments to pensioners and expenses, management felt justified in reducing the contribution for the current year. The required contribution for past service costs was made in full.

The unpaid cost of past services as of March 31, 1961, as determined, by independent actuaries is \$3,741,294, subject, however, to termination or amendment as provided in the plan. It is expected that this amount will be charged to income over a period of 31 and ½ years.

NOTE G:

At March 31, 1960 options to purchase 61,510 shares of the parent company's stock at prices ranging from \$10.50 to \$17.50 per share were held by certain officers and employees. During the year ended March 31, 1961 options for 5,000 shares were exercised and an option for 300 shares was cancelled when the employee concerned terminated his employment. Also during the year options for 26,000 additional shares were granted; 25,000 at \$15.50 and 1,000 at \$15.00. At March 31, 1961 there remained 82,210 shares under option at prices ranging from \$11.67 to \$17.50 per share. All options have been granted at not less than 85% of the quoted market value on the dates of grant. The difference between the option price and market value is credited to capital stock held for resale to officers and employees and the offsetting charge is deferred and written off to income over a two year period (the minimum period during which an optionee agrees to remain in the company's employ after being granted his option).

REPORT OF

INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Bulova Watch Company, Inc.:

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1961 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm by correspondence amounts due from the United States Government, but we satisfied ourselves as to such amounts by means of other auditing procedures.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1961 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.

June 13, 1961

BULOVA

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Sophisticated! Exciting! The **Bulova Duchess**, 10 fiery diamonds, 14 karat gold case, 23 jewel movement. **\$135.00**

30 jewel movement, self-winding, certified waterproof*, shock resistant. Smartly styled combination bracelet and expansion band. Modern dial has applied hour markers. The **Bulova 30**. **\$95.00**

BULOVA

Annual Report 1961

FOR THE YEAR ENDED MARCH 31