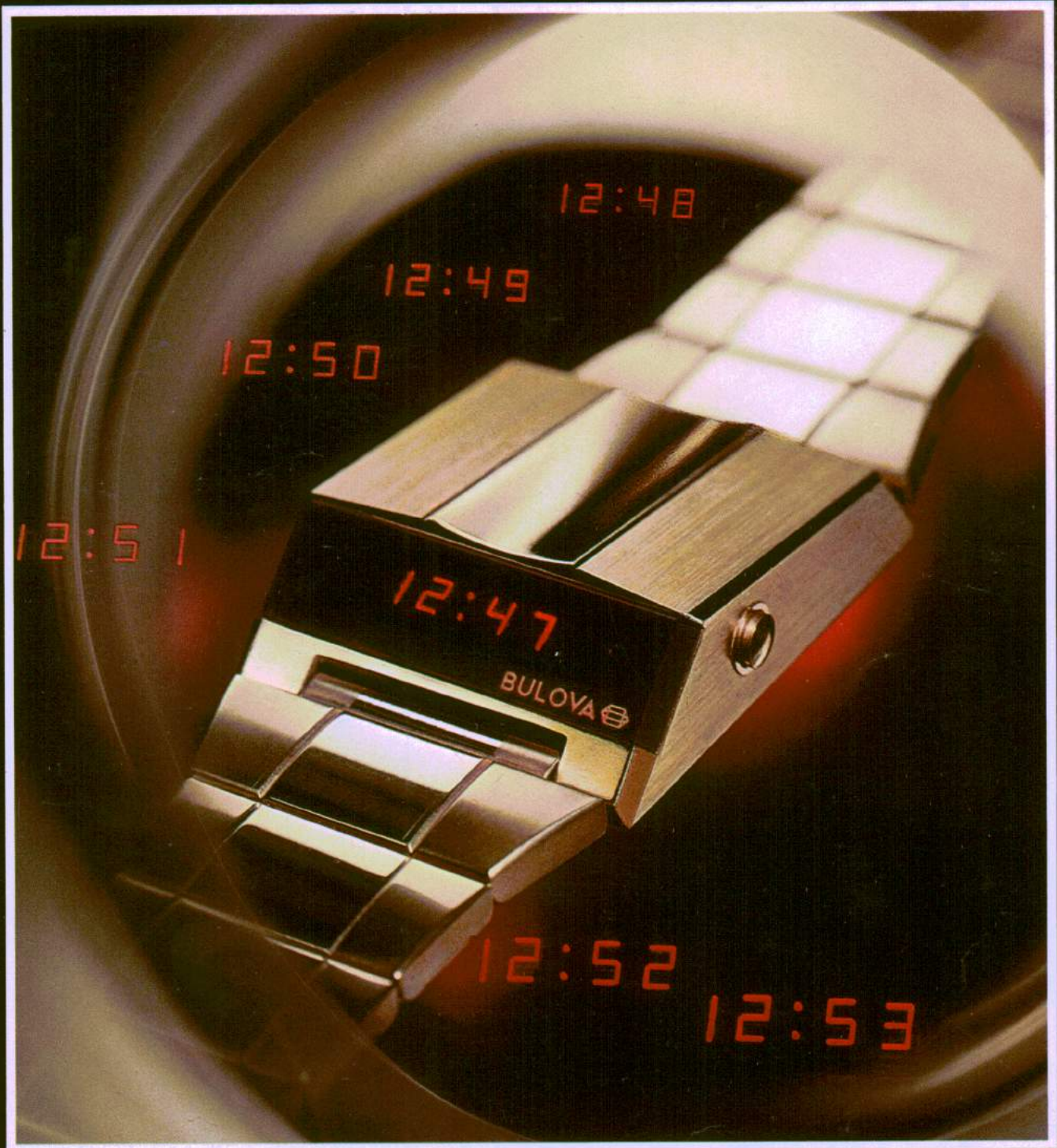


BULOVA **1976** ANNUAL REPORT





# BULOVA ACCUTRON TIME FOR THE PRICE OF ORDINARY TIME.



Now, for \$75 you can afford a Bulova Accutron watch instead of an ordinary watch. So you get proven, time-tested electronic accuracy, 24 hours a day without ever winding. Never before could you have such a good time for such a good price.

**BULOVA ACCUTRON® NOW FROM \$75.**

Accuracy through electronics.

© Bulova Watch Co., Inc.



## Directors



DAVID ANDERSON



R. MARK BOURQUIN



GEN. OMAR N. BRADLEY



BENJAMIN H. DORSEY



SOL E. FLICK



RODNEY C. GOTT



HARRY B. HENSHEL



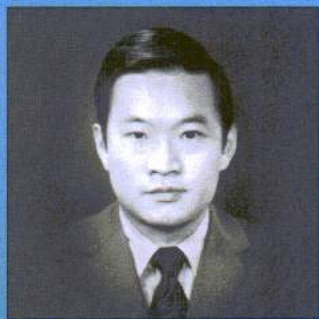
JOHN W. RUTLEDGE



L. J. SEVIN



JOHN L. WEINBERG



C. P. WONG

## Contents

- 2 Directors & Officers
- 3 Financial Highlights
- 4 Letter to Shareholders
- 6 Bulova Operations
- 13 Five Year Summary of Operations
- 14 Management's Discussion & Analysis of the Summary of Operations
- 15 Business Description & Selected Common Stock Data
- 16 Consolidated Balance Sheets
- 18 Consolidated Statements of Income
- 19 Consolidated Statements of Stockholders' Equity
- 20 Consolidated Statements of Changes in Financial Position
- 21 Notes to Financial Statements
- 24 Report of Independent Certified Public Accountants



# BULOVA FO OF O

## Directors

DAVID ANDERSON  
*Executive Vice President and  
member of the Executive  
Committee*

R. MARK BOURQUIN  
*President and member of the  
Executive Committee*

GEN. OMAR N. BRADLEY  
*Honorary Chairman and  
Consultant*

BENJAMIN H. DORSEY  
*An attorney practicing in  
Washington, D.C.*

SOL E. FLICK  
*Vice Chairman of the Board,  
General Counsel and member  
of the Executive Committee*

RODNEY C. GOTT  
*Chairman and Chief Executive  
Officer of AMF Incorporated*

HARRY B. HENSHEL  
*Chairman of the Board  
and member of the Executive  
Committee*

JOHN W. RUTLEDGE  
*Private investor*

L. J. SEVIN  
*Chairman and President of  
Mostek Corporation*

JOHN L. WEINBERG  
*Partner of Goldman, Sachs and  
Co., investment bankers*

C. P. WONG  
*Chairman of the Executive  
Committee and Chief Executive  
Officer of the Corporation, and  
Managing Director of Stelux  
Manufacturing Co., Ltd.*

## Officers

C. P. WONG  
*Chief Executive Officer*

HARRY B. HENSHEL  
*Chairman*

SOL E. FLICK  
*Vice Chairman and General Counsel*

R. MARK BOURQUIN  
*President*

DAVID ANDERSON  
*Executive Vice President, Manufacturing*

AUGUST R. BOZZO  
*Executive Vice President, Manufacturing*

GEORGE C. SHEINBERG  
*Executive Vice President, Treasurer and  
Chief Financial Officer*

WILLIAM O. BENNETT  
*Vice President, Research and Engineering*

JOHN J. CARPENTER  
*Vice President, Quality Assurance, Watch  
Products*

JOHN CHIAPPE  
*Vice President and Controller*

LEO GALE  
*Vice President, Watch Merchandising*

DANIEL MENDELSON  
*Vice President, Watch Movement  
Production*

ARTHUR SCHWARTZ  
*Vice President, Marketing Services*

ROBERT SCHWEBEL  
*Vice President, Requirements Planning  
and Distribution*

HASKELL C. TITCHELL  
*Vice President, Public Relations and  
Personnel*

LAWRENCE F. CODRARO  
*Secretary and Associate Counsel*

JOHN B. CLINE  
*Assistant Controller*

DALE O. HIESTAND  
*Assistant Controller*

ISIDORE ROBERTS  
*Assistant Treasurer*

**TRANSFER AGENT**  
*Morgan Guaranty Trust Company  
of New York  
30 West Broadway  
New York, New York 10015*

**REGISTRAR**  
*Manufacturers Hanover Trust Company  
40 Wall Street  
New York, New York 10015*

Now, for \$75 you can afford a Bulova  
atomic accuracy, 24 hours a day with

# BULOVA



# Annual Report of the Bulova Watch Company, Inc.

Year Ended March 31, 1976

## Financial Highlights

Years Ended March 31	1976	1975*
Net Sales .....	\$204,734,000	\$228,172,000
Income (Loss) Before Income Taxes		
And Minority Interests .....	\$(28,710,000)	\$ 1,878,000
Net Income (Loss) .....	\$(25,619,000)	\$ 1,092,000
Net Income (Loss) Per Share** .....	\$ (6.83)	\$ .29
Net Income (Loss) Per Share		
Assuming Full Dilution .....	\$ (6.83)	\$ .29
Cash Dividends Per Share .....	\$ .15	\$ .70
Current Assets .....	\$194,885,000	\$237,961,000
Current Liabilities .....	\$ 39,595,000	\$118,840,000
Working Capital .....	\$155,290,000	\$119,121,000
Stockholders' Equity Per Share*** .....	\$ 14.65	\$ 21.63

\*Restated—See Notes to Financial Statements, Note 1(b).

\*\*Based on the average number of shares outstanding during each period.

\*\*\*Based on number of shares outstanding at the end of each period.

## ANNUAL MEETING

Tuesday, July 27, 1976


11:30 A.M. (EDST)

Bulova Park, 75-20 Astoria Blvd.

Jackson Heights, New York

The following are trademarks of Bulova Watch Company, Inc. or its subsidiaries:

Accuquartz, Accutron, Bulova, Caravelle, Computron, Mini Accutron,

Universal Geneve, WatchMaster, 

## ANNUAL REPORT FORM 10-K

The corporation will provide to any of its stockholders, without charge, upon written request to its Secretary, a copy of the Corporation's Annual Report on Form 10-K for the fiscal year 1976.

## Contents

2	Directors & Officers
3	Financial Highlights
4	Letter to Shareholders
6	Bulova Operations
13	Five Year Summary of Operations
14	Management's Discussion & Analysis of the Summary of Operations
15	Business Description & Selected Common Stock Data
16	Consolidated Balance Sheets
18	Consolidated Statements of Income
19	Consolidated Statements of Stockholders' Equity
20	Consolidated Statements of Changes in Financial Position
21	Notes to Financial Statements
24	Report of Independent Certified Public Accountants

**Bulova Watch Company, Inc.** 630 Fifth Ave., New York, N.Y. 10020



dividends during the term of the agreement without the consent of its lenders.

The restructuring program that began during fiscal 1976 is continuing. While much of fiscal '76 was devoted to finding solutions and alternatives to those problems which came to a head during the prior fiscal year, we are continuing to consolidate our facilities throughout the world. At the same time we are realigning our brands, price ranges and product mix with much greater stress being put on both solid-state and electronic analog quartz watches. In addition, we have made basic decisions as to those overseas markets in which we are participating and having identified the problem areas we are evaluating the best ways of proceeding in them. Our basic objectives continue to stress maximum flexibility, maximum utilization of our assets and improved return on investment. We are doing this with full recognition of the confused state of the world watch markets resulting from the rapid acceptance of solid-state watches, an area of the market which we were late to enter in volume.

We are continuing to reduce our inventories of higher cost merchandise, while proceeding to increase our supply of competitively priced products. We are confident that by concentrating on the great strengths of Bulova—research, technology, production and distribution—we shall become a stronger and more profitable company in the future.

On May 26, Stelux Manufacturing Co., Ltd., a diversified multi-national company, purchased 26.8 per cent of our common stock thereby becoming the largest shareholder. On May 27, the board of directors elected C. P. Wong, managing director of Stelux Manufacturing Co., Ltd., and L. J. Sevin, chairman of Mostek Corporation of Carrollton, Texas, directors of the Company. Mostek is a highly regarded manufacturer of

electronic semiconductor products.

We feel confident that we will have the stockholder support of Stelux since they are fully appreciative of our Company's needs and opportunities.

Earlier this month, the board elected R. Mark Bourquin as president of the Company, on the resignation of Kenneth F. Yarbrough, as president and director. C. P. Wong was elected chairman of the newly formed executive committee and chief executive officer. The committee also includes: Sol E. Flick, vice chairman and general counsel; Mr. Bourquin; David H. Anderson, executive vice president-manufacturing and also a director; and myself. Mr. Anderson's functions were expanded to include responsibility for Bulova manufacturing worldwide. George C. Sheinberg was elected executive vice president and chief financial officer.

Our confidence in the future of Bulova reflects the many proven strengths of the Bulova organization, and also our close cooperation with the 20,000 Bulova jewelers in the United States. We believe that only the watch retailer can offer the consumer the professionalism and service expected by the public—and that this professionalism is essential and expected with solid-state digital watches as it is with all other fine quality watch products.

Respectfully submitted, June 14, 1976



Harry B. Henshel  
*Chairman of the Board*



## Bulova Operations



(a)

During the fiscal year, Bulova strengthened its long-standing commitment to the retail jeweler by substantially enlarging efforts in research and new-product development, quality control, production automation and watch servicing—so that the retail jeweler, who serves the public directly, may serve the consumer more effectively, and more profitably.

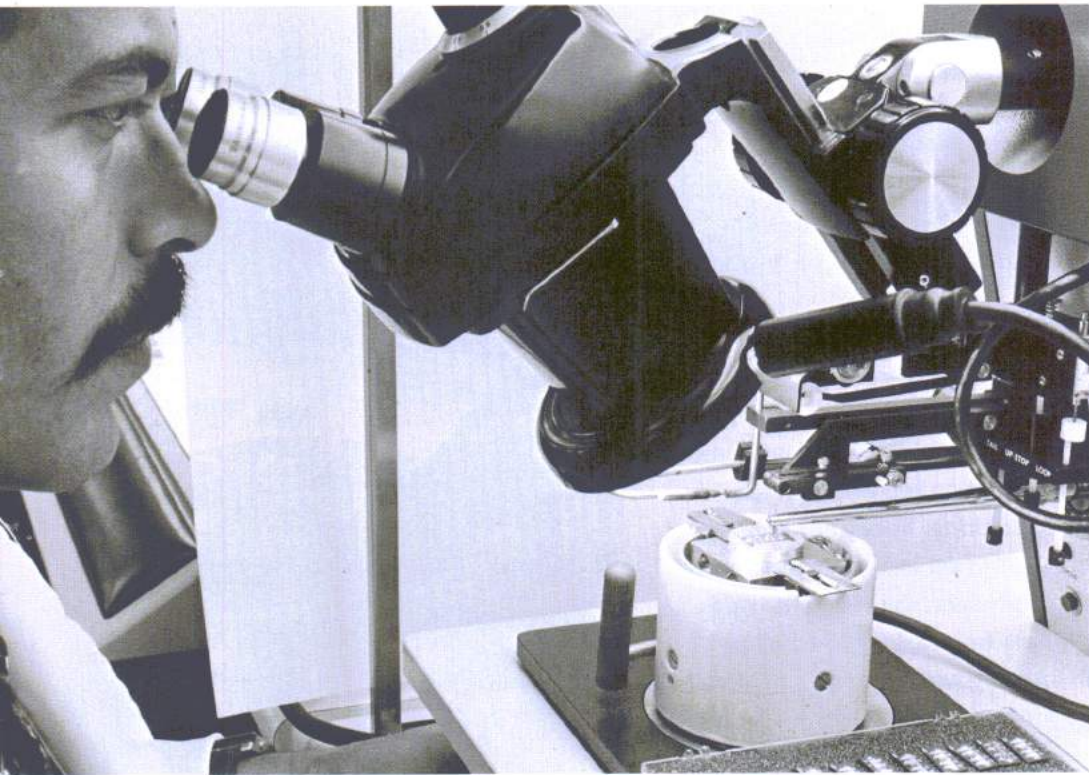
Our entire marketing strategy is based on the concept that America's professional watch retailer is the key to the successful marketing of all *fine* quality jewelry, including all types of fine watches—mechanical, electronic and solid-state. In fact, Bulova's continuing role as the leading American marketer of fine quality watches for more than four decades would be impossible without the extensive nationwide network of more than 20,000 authorized Bulova jewelers—the largest group of jewelers in the world.

### **Brand Names**

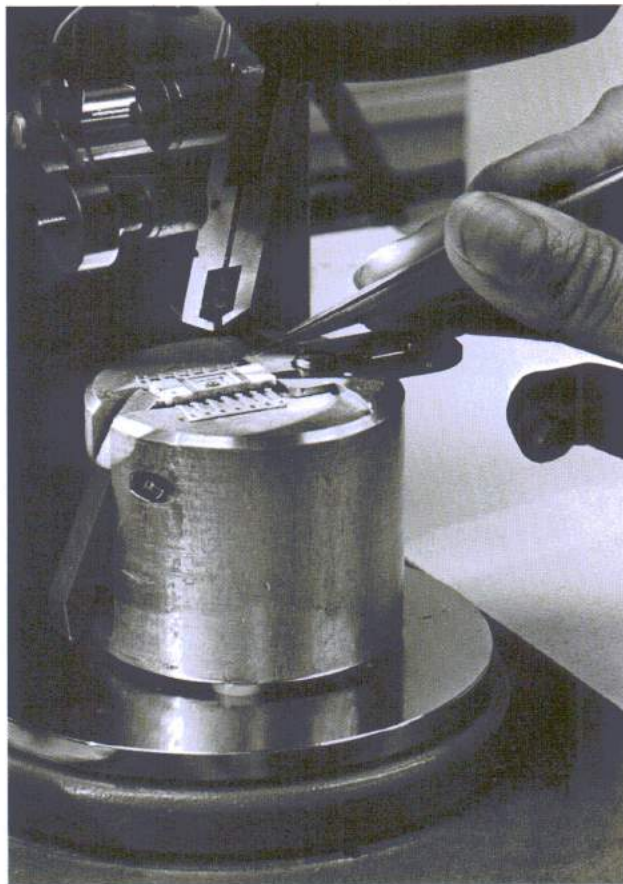
The value of the Bulova name and the strength of our major brand names—Accuquartz, Accutron, Bulova and Caravelle—in the jewelry store and among consumers was again recently documented by a survey conducted by *Jewelers' Circular-Keystone*. The survey reported: "Panel members gave brand names when making their predictions about which watches would sell best during the first six months of 1976. Mentioned most often by jewelers: Bulova. In fact, each of the (Bulova) brand names, Bulova, Accutron and Caravelle, was mentioned more often than any other brand."

The value of the Bulova name, the strengths of our brands (that rank 1-2-3 as the best-selling fine-quality watches

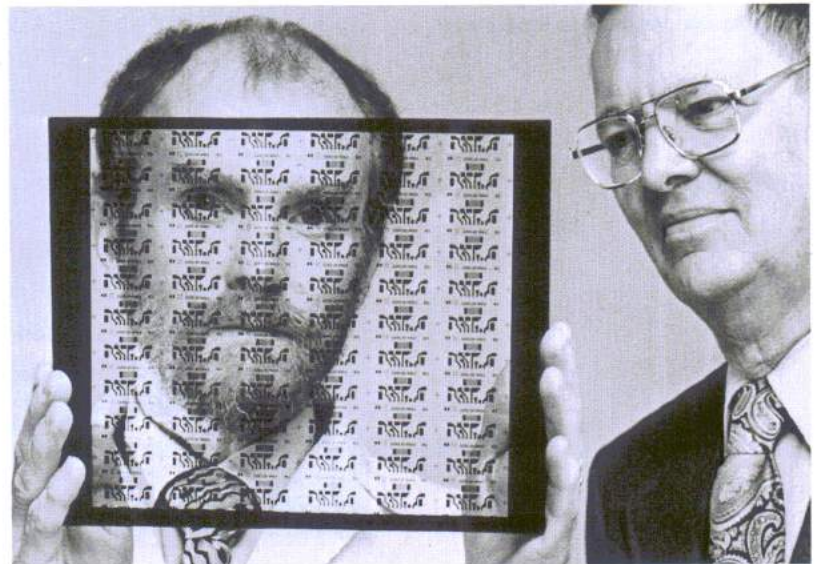




(b)



(c)



(d)

- 
- (a) **VISUAL INSPECTION**—Gloved hand-and-eye inspection of a diamond-lapped watch case assembly for an Accutron watch is conducted by senior inspector, as one of more than 100 quality controls on cases.
- (b) **LED DISPLAY**—Technician conducts test inspection of the display sub-assembly used in Bulova digital watches with light-emitting diode (LED) digital display of time.
- (c) **INTEGRATED CIRCUITRY**—Tiny CMOS (Complementary Metal Oxide Semi-conductor) integrated circuit used in solid-state watch is readied for the attachments of leads at Bulova Park, main U.S. facility.
- (d) **PHOTO MASK**—Dr. Dale Koehler (left), manager of the Advanced Research Laboratory and a former NASA scientist, and Vice President William O. Bennett, examine multiple photo mask for printed circuits used in new Bulova digital solid-state digital watches.
-



in America) and the more than 20,000 authorized Bulova retailers in the United States all combine to permit the Bulova retail outlet to serve the American watch consumer better and more profitably. But new products continue to be essential to both profitability and future growth.

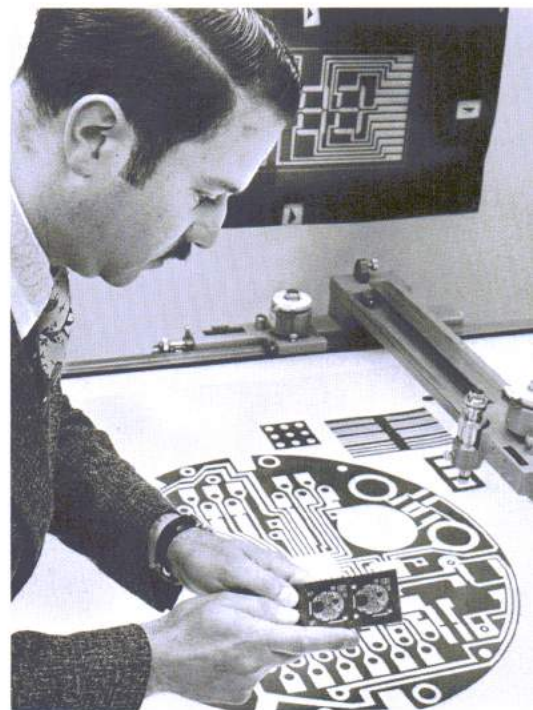
### **In-House Capabilities**

The past three years have involved heavy commitments to research, engineering, design, quality control and production engineering on solid-state watch manufacturing. Today our in-house capabilities are evident in the Bulova watch product: the *electronic chips* used are Bulova designs developed by Bulova engineers in conjunction with our chip manufacturing sources; the *mounting block* used by the watch module is Bulova designed and produced; the *quartz crystal* frequency standard is Bulova designed and produced; and the *watch cases*, each an assembly of precision parts, are in many instances Bulova designed and produced, too.

Except for the manufacture of semiconductor chips and electronic displays (which show the time and other data in digits), Bulova is now a highly integrated producer of solid-state watches, with broad manufacturing facilities and expertise in quartz crystal technology. In summary, we are as favorably positioned in solid-state watches, with a broad manufacturing capability, as we were, and are, in conventional, electro-mechanical and electronic watch products.

Our complete watch-case capabilities, headquartered in Providence, R.I., round out Bulova's technological base.

The Bulova Electronics Division, founded in 1951 as the Crystal Division,

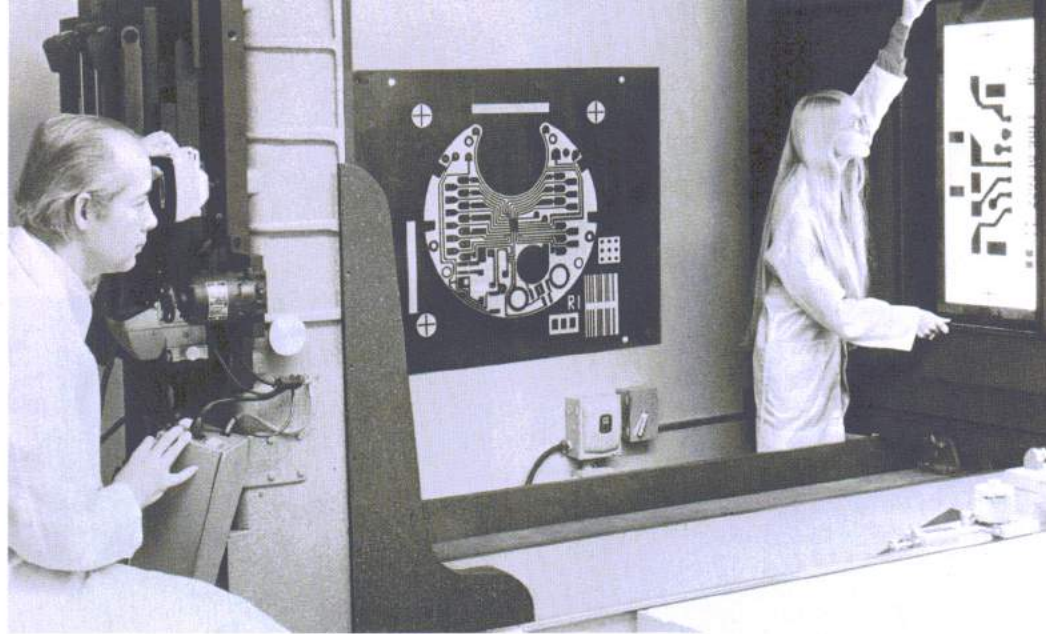


(a)



(d)

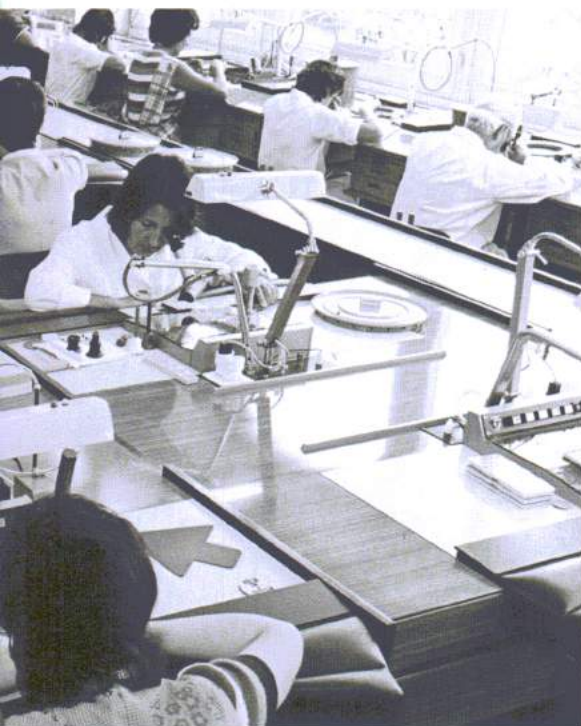




(b)



(c)



(e)

(a) *MASTER*—Printed circuit negatives, result of photography of giant rubylith master design, are compared with the rubylith master. The master is created by cutting the rubylith using a semi-automated coordinator-graph.

(b) *ON TARGET*—Monster step-and-repeat camera is used to “shoot” giant rubylith master design of printed circuit used in Bulova digital watches. Design is reduced photographically and then multiplied on photo sheets for printing.

(c) *NEW TEAM*—R. Mark Bourquin (r.), president, and national sales manager Mervyn R. Weis meet on Bulova digital marketing program. Mr. Weis, joined Bulova in 1956 as a salesman and till his recent appointment served as regional sales manager on the West Coast.

(d) *SWISS MADE*—Semi-automated watch movement assembly area at Swiss facility.

(e) *CANADA*—Robert McIntosh (seated), president of Bulova Watch Company, Ltd. (Canada), with Hugh F. Mulligan, Director of Advertising during Bulova marketing session.



designs and produces the quartz crystal oscillators for Bulova's quartz-based watches and also produces and sells quartz crystals to other solid-state watch manufacturers. Its product lines include the most complete range of quartz crystal products offered by any manufacturer, as well as other specialized electronic components and systems. Its quartz crystal line offers the broadest range of quartz crystals produced anywhere for solid-state watches.

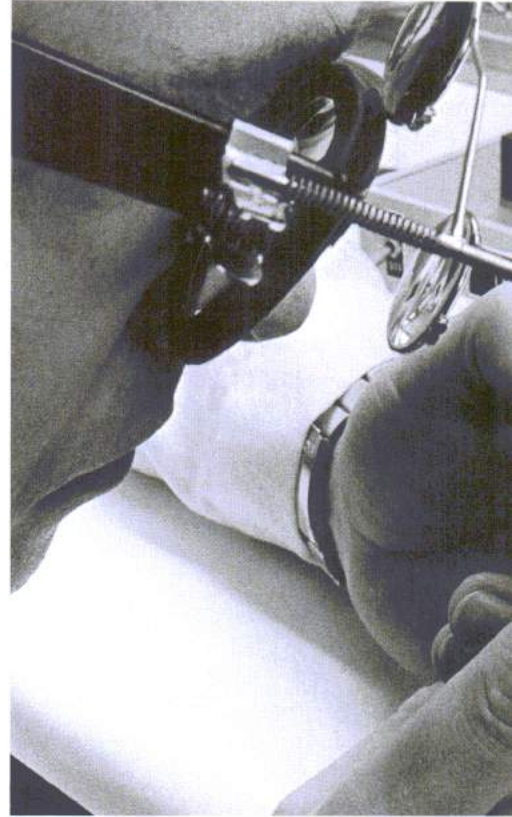
#### **New Bulova Quartz**

In Switzerland, research, development and product engineering were completed at Bulova facilities, during the fiscal year, on a new miniaturized Bulova stepper-motor quartz watch movement for use in a new line of conventional-dial watches. This new Bulova line is scheduled for introduction to the jewelry trade in Canada and the United States before Christmas, 1976.

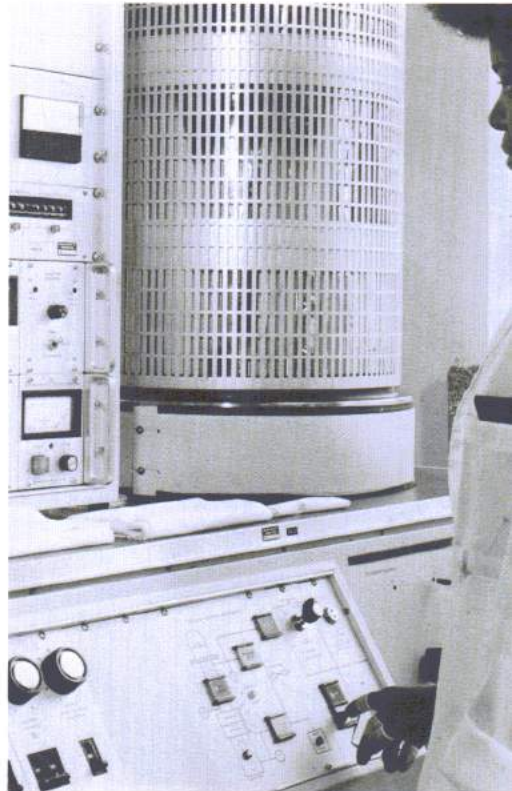
We believe that the styling and fashion potentials of conventional-dial mini-quartz watches and mini-Accutron watches are very great, because more than 55 per cent of all watches retailed in the United States are women's styles—and because women are notably less interested in solid-state digital watches than are men.

#### **Manufacturing**

We are also restructuring our multinational manufacturing base, to reduce costs, make possible economies, increase management's flexibility, and focus on the production of fewer but more marketable styles. This has meant a continuing evolution towards greater automation, consolidation of facilities, emphasis on the production of quartz-

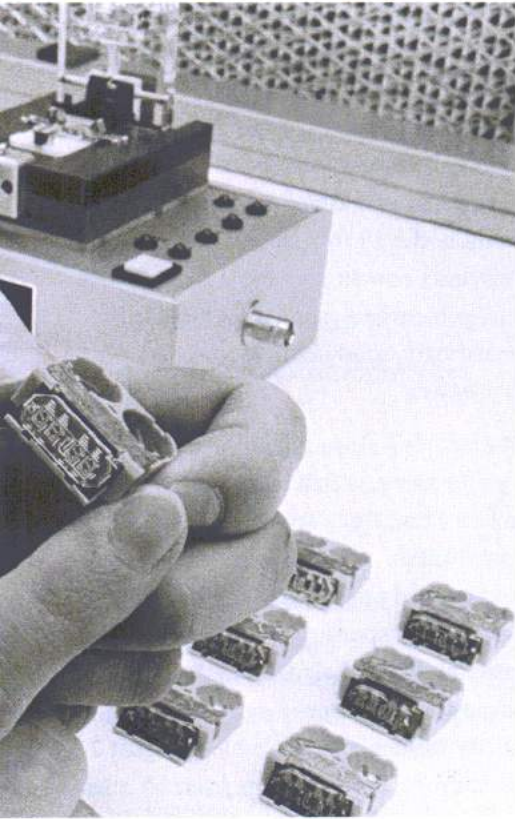


(a)



(c)





(b)

---

(a) *SUB-ASSEMBLY* — Trapezoid solid-state watch module with light-emitting diode time display sub-assembly.

(b) *NEW ANALOG QUARTZ*— The newly developed Bulova stepper-motor quartz wristwatch will be introduced at retail during the current fiscal year.

(c) *QUARTZ PRODUCTION*—At Bulova Electronics Division, plating technician operates a vacuum deposition system used in the production of quartz crystals for Bulova Accuquartz watches.

(d) *AT THE COUNTER*—Bulova jeweler meets, counsels and sells the consumer, face to face, in the jewelry store—a scene repeated millions of times a year.

---



(d)



analog, and solid-state watches and closer cooperation with the Bulova Electronics Division.

Worldwide employment by Bulova totalled 6,500 on March 31, 1976, down from 7,300 a year earlier and down 19 per cent from the 8,200 on March 31, 1974. Of the 6,500 employees, 4,000 were in the United States and 2,500 were abroad. Minority employment was 25 per cent among 2,900 employees in New York area facilities on March 31, 1976, while women accounted for 56 per cent of the jobs. Total minority employment in all U.S. facilities was 34 per cent, with women holding 55 per cent of U.S. jobs.

During the fiscal year, 106 employees retired under the U.S. pension program, and \$1,663,000 was paid out during the year to retired employees and their beneficiaries. In the past 10 years, the program has paid out \$12,900,000.

## Education

Bulova continues as the industry leader in providing continuing education for the jeweler and watchmaker. During the fiscal year more than 1,500 jewelers and watchmakers attended Bulova seminars conducted in cooperation with state jeweler and watchmaker associations, and more than 500 Canadian jewelers and watchmakers attended similar Bulova programs. In addition, the 1976 Bulova-New York University course in jewelry store management and marketing, unique in the industry, graduated another 35 jewelers.

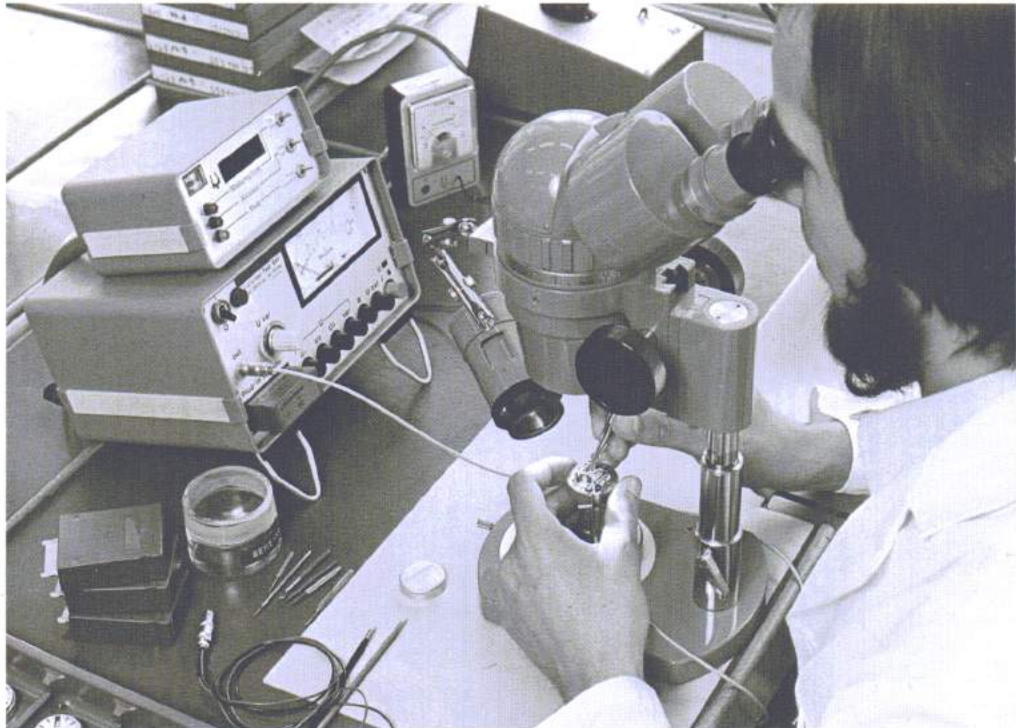
The Joseph Bulova School of Watchmaking, which is supported by the Bulova Fund, Inc., specializes in the rehabilitation and training of physically handicapped adults. The School, which founded and sponsors the annual U.S. National Wheelchair Games, has also played a leading role in supporting the U.S. Wheelchair Team, which August 2-9 will compete against teams from 65 other nations in the International Paralympics, in Toronto, Canada.

(a) *CALENDAR*—The dial of the classically styled Bulova Commadore campaign-chest pendulum clock features a day-of-the-month track of 31 Arabic numerals with a red calendar hand that points to the date. The new clock is beautifully crafted in walnut and decorated with brass hinges and facings, and operates for a full year on the flashlight battery. Suggested retail is \$99.95.

(b) *TESTING*—Technician "plugs in" electronic watch movement during final inspection procedures.



(a)



(b)



# Five Year Summary of Operations

Bulova Watch Company, Inc. and Subsidiaries



Fiscal Years Ended March 31 (in thousands except for per share data)

	1976	1975*	1974*	1973*	1972*
Net sales	\$204,734	\$228,172	\$213,773	\$176,650	\$146,638
Cost of goods sold	153,798	160,429	148,043	123,221	99,598
Gross profit from sales	50,936	67,743	65,730	53,429	47,040
Selling, general and administrative expenses	48,689	53,494	46,708	39,509	35,766
Profit from operations	2,247	14,249	19,022	13,920	11,274
Inventory and other write-downs relating to corporate restructuring program (1)	21,649	—	—	—	—
Income charges (credits):					
Interest on long-term debt	4,710	4,391	3,236	2,015	2,203
Other interest charges	6,769	7,922	4,099	1,950	1,440
Foreign currency translation losses (gains)	6	1,236	(1,186)	(342)	17
Interest, royalties and other income	(2,177)	(1,178)	(1,790)	(1,588)	(1,728)
	9,308	12,371	4,359	2,035	1,932
Income (loss) before income taxes and minority interests in net income (loss) of subsidiaries	(28,710)	1,878	14,663	11,885	9,342
Income taxes (benefit)	(2,670)	607	6,113	4,852	5,555
Income (loss) before minority interests in net income (loss) of subsidiaries	(26,040)	1,271	8,550	7,033	3,787
Minority interests in net income (loss) of subsidiaries	(421)	179	262	188	(146)
Net income (loss) for the year	\$(25,619)	\$1,092	\$8,288	\$6,845	\$3,933
Net income (loss) per average common share (2)	\$(6.83)	\$ .29	\$2.22	\$1.83	\$1.05
Net income (loss) per share assuming full dilution (2)	\$(6.83)	\$ .29	\$2.05	\$1.72	\$1.05
Average outstanding shares (3)	3,750	3,749	3,740	3,741	3,728
Dividends per share—cash	\$ .15	\$ .70	\$.675	\$ .60	\$ .60

\*Restated—See Notes to Financial Statements, Note 1(b).

Notes:

- (1) Refer to note 2 of notes to financial statements for additional information.
- (2) Refer to note 1(g) of notes to financial statements, which describes the method of computation.
- (3) Excluding stock held for resale.



## Management's Discussion & Analysis of the Summary of Operations

### Fiscal 1976 Compared to Fiscal 1975

During calendar year 1975 the Company began its restructuring operations to restore profitability by achieving greater flexibility and more effective utilization of its resources. The Company will as a result be making significant changes outside the United States and Canada, both in markets and manufacturing facilities.

As a result of this transition the Company took substantial write-downs primarily relative to inventories, both to reflect net realizable values and to allow for the accelerated departure from various unprofitable foreign markets.

The estimated cost of the reduction in the values of inventories (\$15 million), the sale or disposal of certain foreign subsidiaries (\$5.0 million), and the contraction of manufacturing facilities (\$1.6 million), totals \$21.6 million (before estimated tax refund of \$1.1 million), and was charged against the December 1975 quarter.

In addition to the special write-down loss of \$20.5 million (after tax refund) there was a loss of \$5.1 million (also after tax refund) from regular operations, resulting from lower consumer products sales in the United States, a decline in industrial-defense business, and increased losses from foreign operations, although foreign sales increased slightly. In order to reduce inventories, as part of our restructuring program to increase liquidity, substantial reductions were made in sales prices of watches in the United States and in foreign markets. These price reductions accounted for a very large proportion of the \$12 million decrease in profit from operations compared to 1975. As a consequence of these actions and cutbacks in production as planned, there were substantial reductions made in inventories, current bank loans and long-term debt, and corresponding increases in cash and marketable securities. Interest (net of interest income) was reduced by \$2 million.

For the March 1976 quarter sales were down 15% from last year. While incoming domestic consumer orders were ahead, shipments declined 21% primarily due to the late deliveries of various components. In addition, with the continuation of the adverse effect on profits of the price reductions on watches and lower volume in industrial-defense business, the net loss for the quarter was \$3.9 million compared to a loss of \$2.9 million in the March 1975 quarter. In the current June quarter to date U.S. consumer product sales are about 4%

ahead of the same period last year, but the order backlog is substantially higher. Also in the current June quarter industrial-defense sales are down by about 36%, and foreign subsidiary sales by about 15%. On April 1, 1976 the backlog of industrial-defense orders was \$15 million compared to \$26 million in 1975.

### Fiscal 1975 Compared to Fiscal 1974

Total sales rose by 7% over 1974 reflecting principally gains in international sales as consumer product sales in the U.S. remained stable and industrial-defense sales decreased by 11%. Profit from operations dropped 25% mainly due to lower profit margins on watch sales and higher operating expenses. Increases in the Swiss franc rate and in other foreign currencies relative to the U.S. dollar substantially increased costs in the U.S. of watches manufactured in our factories in those countries.

A very substantial increase in interest costs which resulted from higher total borrowings as well as the higher interest rates in effect during the year, and a reduction in royalty income were the two major factors causing the further decline in pretax income to \$1.9 million from \$14.7 million in 1974. The provision for income taxes reduced by the tax carryback of losses in the U.S. company resulted in a net effective tax rate of 32%, offsetting in part the reduction in pretax income, leaving net income of \$1.1 million in 1975 compared to \$8.3 million in 1974.

The decline which began in the U.S. market in the fall of 1974 was sharply accelerated in the March 1975 quarter causing a steep decline in operating profit for the last quarter of our fiscal year. Although there was a substantial increase in foreign market sales (in part reflecting higher values for foreign currencies when translated into dollar values), higher non-operating costs were experienced and special provisions for possible losses in certain foreign subsidiaries resulted in a loss in international operations in the fiscal quarter. This was only partially offset by an increase in industrial-defense operating profit for the quarter.

Previously reported net income (1975, \$2,328,000; 1974, \$7,102,000; 1973, \$6,503,000; 1972, \$3,950,000) has been restated to reflect foreign currency items in accordance with Statement of Financial Accounting Standards No. 8 as explained in note 1(b) of Notes to Financial Statements.



## Business Description & Selected Common Stock Data

Bulova manufactures and sells, throughout the world, watches and clocks for consumer use. It also sells to the trade products such as timepiece power cells, parts, service, repairs and timepiece testing and cleaning equipment.

Bulova also sells nonconsumer products for defense and industrial use, including timing and similar devices (including fuzes), quartz crystals, and components for cameras.

The principal customer for nonconsumer products is the United States Government; approxi-

mately 70% of such sales in 1976 were made in connection with national defense.

For each of the past five fiscal years, the Company's products contributed the following percentages of total sales:

	Fiscal years ended March 31				
	1976	1975	1974	1973	1972
Consumer	87%	85%	82%	79%	86%
Nonconsumer	13%	15%	18%	21%	14%

## Market Prices & Dividends Paid

### MARKET PRICES (New York Stock Exchange)

*Fiscal years ended March 31*

1976	High	Low	1975	High	Low
Quarter			Quarter		
First	8 $\frac{7}{8}$	6 $\frac{3}{4}$	First	11 $\frac{3}{4}$	9 $\frac{1}{4}$
Second	7 $\frac{7}{8}$	4 $\frac{7}{8}$	Second	9 $\frac{7}{8}$	7 $\frac{1}{2}$
Third	8 $\frac{3}{8}$	5 $\frac{1}{4}$	Third	9 $\frac{1}{2}$	6 $\frac{3}{4}$
Fourth	8 $\frac{1}{4}$	6	Fourth	9 $\frac{3}{8}$	7

### DIVIDENDS PAID

*Fiscal years ended March 31*

	1976	1975	
Quarter		Quarter	
First	\$.05	First	\$.17 $\frac{1}{2}$
Second	.05	Second	.17 $\frac{1}{2}$
Third	.05	Third	.17 $\frac{1}{2}$
Fourth	None	Fourth	.17 $\frac{1}{2}$



# Consolidated Balance Sheets

*Bulova Watch Company, Inc. and Subsidiaries*

March 31, 1976 and March 31, 1975

	1976	1975*
<b>ASSETS</b>		
Current assets:		
Cash (note 6(a))	\$ 10,014,000	\$ 12,065,000
Treasury bills, at cost (approximates quoted value)	23,727,000	—
Receivables:		
Customers' accounts	47,359,000	55,887,000
Customers' notes	10,746,000	14,660,000
Other	1,408,000	3,172,000
	59,513,000	73,719,000
Less allowance for doubtful receivables	2,847,000	2,460,000
	56,666,000	71,259,000
Inventories:		
Watch materials, including finished parts	80,058,000	122,659,000
Industrial and defense materials (note 3)	11,629,000	16,598,000
Precious metals	2,623,000	4,869,000
Other	3,519,000	3,119,000
	97,829,000	147,245,000
Income tax refunds receivable	4,908,000	3,872,000
Prepaid expenses	1,741,000	3,520,000
Total current assets	194,885,000	237,961,000
Other assets	2,639,000	3,635,000
Plant property, at cost:		
Land, buildings and improvements	17,919,000	17,863,000
Machinery and equipment	22,114,000	22,313,000
Furniture, fixtures and leasehold improvements	4,634,000	4,464,000
	44,667,000	44,640,000
Less accumulated depreciation	24,563,000	21,720,000
	20,104,000	22,920,000
Deferred charges	700,000	630,000
	<u>\$218,328,000</u>	<u>\$265,146,000</u>

See Notes to Financial Statements.

\*Restated—See Notes to Financial Statements, Note 1(b).



March 31, 1976 and March 31, 1975

1976

1975\*

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:

Unsecured notes payable:

Banks (Note 4) .....	\$ 5,873,000	\$ 85,458,000
Others .....	405,000	737,000
Current installments of long-term debt (note 6) .....	488,000	785,000
Accounts payable .....	11,199,000	13,437,000
Defense contract progress collections .....	6,945,000	5,976,000
Accrued expenses:		
Salaries, wages and commissions .....	4,025,000	5,435,000
Other .....	8,209,000	4,433,000
Accrued Federal and foreign income taxes .....	2,451,000	2,579,000
Total current liabilities .....	<u>39,595,000</u>	<u>118,840,000</u>

Long-term debt (note 6):

Unsecured notes payable under Revolving Credit Agreement terminating June 30, 1978 .....	59,780,000	—
8% Serial Notes due September 15, 1979-1993 .....	34,280,000	34,280,000
4½% Convertible Subordinated Debentures due August 1, 1984 .....	1,073,000	1,209,000
6% Convertible Subordinated Debentures due February 1, 1990 .....	21,179,000	21,179,000
Mortgages and other loans payable .....	3,612,000	3,591,000
	<u>119,924,000</u>	<u>60,259,000</u>

Other liabilities .....	<u>2,172,000</u>	<u>1,797,000</u>
Deferred taxes on income .....	<u>366,000</u>	<u>1,194,000</u>
Deferred income .....	<u>751,000</u>	<u>803,000</u>
Minority interests in net assets of subsidiaries .....	<u>583,000</u>	<u>1,143,000</u>

Stockholders' equity (notes 6 and 7):

Common stock, \$5 par value:

Authorized: 7,500,000 shares.		
Issued: 1976 and 1975—3,751,254 shares .....	18,756,000	18,756,000
Capital surplus .....	3,720,000	3,720,000
Retained earnings .....	32,472,000	58,653,000
	<u>54,948,000</u>	<u>81,129,000</u>

Deduct common stock, at cost, held for resale to officers and employees: 1976—806 shares; 1975—1,381 shares .....	11,000	19,000
Total stockholders' equity .....	<u>54,937,000</u>	<u>81,110,000</u>
	<u>\$218,328,000</u>	<u>\$265,146,000</u>

See Notes to Financial Statements.

\*Restated—See Notes to Financial Statements, Note 1(b).



# Consolidated Statements of Income

*Bulova Watch Company, Inc. and Subsidiaries*

<i>Years Ended March 31, 1976 and March 31, 1975</i>	1976	1975*
Net sales .....	\$204,734,000	\$228,172,000
Cost of goods sold .....	<u>153,798,000</u>	<u>160,429,000</u>
Gross profit from sales before inventory and other write-downs .....	50,936,000	67,743,000
Selling, general and administrative expenses .....	<u>48,689,000</u>	<u>53,494,000</u>
Profit from operations before inventory and other write-downs .....	<u>2,247,000</u>	<u>14,249,000</u>
Inventory and other write-downs relating to corporate restructuring program (note 2) .....	<u>21,649,000</u>	<u>—</u>
Income charges (credits):		
Interest on long-term debt .....	4,710,000	4,391,000
Other interest charges .....	6,769,000	7,922,000
Foreign currency translation losses .....	6,000	1,236,000
Interest, royalties and other income .....	<u>(2,177,000)</u>	<u>(1,178,000)</u>
	<u>9,308,000</u>	<u>12,371,000</u>
Income (loss) before income taxes and minority interests in net income (loss) of subsidiaries .....	(28,710,000)	1,878,000
Income taxes (note 5) .....	<u>(2,670,000)</u>	<u>607,000</u>
Income (loss) before minority interests in net income (loss) of subsidiaries .....	(26,040,000)	1,271,000
Minority interests in net income (loss) of subsidiaries .....	<u>(421,000)</u>	<u>179,000</u>
Net income (loss) for the year .....	<u><u>\$ (25,619,000)</u></u>	<u><u>\$ 1,092,000</u></u>
Net income (loss) per average common share .....	<u><u>\$ (6.83)</u></u>	<u><u>\$ .29</u></u>
Net income (loss) per share assuming full dilution .....	<u><u>\$ (6.83)</u></u>	<u><u>\$ .29</u></u>

*See Notes to Financial Statements.*

*\*Restated—See Notes to Financial Statements, Note 1(b).*



# Consolidated Statements of Stockholders' Equity

Bulova Watch Company, Inc. and Subsidiaries



Years Ended March 31, 1976 and March 31, 1975

	Number of Common Shares		Stockholders' Equity				
	Issued	In Treasury	Total	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
*Balance March 31, 1974 .....	3,751,254	6,083	\$82,578,000	\$18,756,000	\$3,720,000	\$60,186,000	\$(84,000)
*Net income .....	—	—	1,092,000	—	—	1,092,000	—
Shares distributed for employee service awards .....	—	(4,702)	65,000	—	—	—	65,000
Cash dividends (70¢ per share) .....	—	—	(2,625,000)	—	—	(2,625,000)	—
*Balance March 31, 1975 .....	3,751,254	1,381	\$81,110,000	\$18,756,000	\$3,720,000	\$58,653,000	\$(19,000)
Net (loss) .....	—	—	(25,619,000)	—	—	(25,619,000)	—
Shares distributed for employee service awards .....	—	(575)	8,000	—	—	—	8,000
Cash dividends (15¢ per share) .....	—	—	(562,000)	—	—	(562,000)	—
Balance March 31, 1976 .....	<u>3,751,254</u>	<u>806</u>	<u>\$54,937,000</u>	<u>\$18,756,000</u>	<u>\$3,720,000</u>	<u>\$32,472,000</u>	<u>\$(11,000)</u>

See Notes to Financial Statements.

\*Restated—See Notes to Financial Statements, Note 1(b).



# Consolidated Statements of Changes in Financial Position

Bulova Watch Company, Inc. and Subsidiaries

Years Ended March 31, 1976 and March 31, 1975

1976

1975\*

## WORKING CAPITAL WAS PROVIDED FROM:

Operations:		
Net income (loss) .....	\$(25,619,000)	\$ 1,092,000
Charges (credits) to income which did not involve working capital:		
Depreciation .....	2,488,000	2,792,000
Deferred income taxes .....	(828,000)	146,000
Decrease in deferred income .....	(52,000)	(94,000)
Write-downs of other assets and plant property .....	2,553,000	—
Working capital provided from (used in) operations .....	(21,458,000)	3,936,000
Transactions in the Company's capital stock .....	8,000	65,000
Proceeds from long-term financing .....	60,147,000	150,000
Other liabilities .....	375,000	869,000
Minority interests in net assets of subsidiaries .....	(560,000)	99,000
Disposals of plant property .....	462,000	238,000
Other assets .....	(93,000)	285,000
Deferred charges .....	(70,000)	140,000
	<u>38,811,000</u>	<u>5,782,000</u>

## WORKING CAPITAL WAS REQUIRED FOR:

Dividends to stockholders .....	562,000	2,625,000
Additions to plant property .....	1,598,000	4,169,000
Reduction of long-term debt .....	482,000	394,000
	<u>2,642,000</u>	<u>7,188,000</u>

INCREASE (DECREASE) IN WORKING CAPITAL .....

	<u>\$ 36,169,000</u>	<u>\$(1,406,000)</u>
--	----------------------	----------------------

## INCREASES (DECREASES) IN COMPONENTS OF WORKING CAPITAL:

Current assets:		
Cash .....	\$ (2,051,000)	\$ 4,189,000
Treasury bills .....	23,727,000	—
Receivables .....	(14,593,000)	(2,683,000)
Inventories .....	(49,416,000)	39,768,000
Income tax refunds receivable .....	1,036,000	3,872,000
Prepaid expenses .....	(1,779,000)	524,000
	<u>(43,076,000)</u>	<u>45,670,000</u>
Current liabilities:		
Unsecured notes payable and current installments of long-term debt .....	(80,214,000)	45,151,000
Accounts payable and defense contract progress collections .....	(1,269,000)	4,667,000
Accrued expenses .....	2,366,000	(17,000)
Accrued Federal and foreign income taxes .....	(128,000)	(2,725,000)
	<u>(79,245,000)</u>	<u>47,076,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL .....	<u>\$ 36,169,000</u>	<u>\$(1,406,000)</u>

See Notes to Financial Statements.

\*Restated—See Notes to Financial Statements, Note 1(b).



# Notes to Financial Statements

March 31, 1976 and March 31, 1975

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### (a) Principles of Consolidation:

The consolidated financial statements include the accounts of Bulova Watch Company, Inc. and all significant subsidiaries. To avoid delays in preparing the March 31 consolidated financial statements, the Company includes the accounts of most foreign subsidiaries as of the preceding December 31. All significant intercompany transactions and profits are eliminated in consolidation.

### (b) Translation of Foreign Currencies:

Foreign currency items have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8 issued by the Financial Accounting Standards Board in October 1975. The procedures specified by the Board to effect the translation differ from those followed by the Company in the past, principally in requiring the use of historical exchange rates when translating inventories carried at cost and requiring translation gains and losses to be reflected in operations. In 1975 and prior years, foreign inventories were translated at exchange rates prevailing on the balance sheet date in accordance with then generally accepted accounting principles and translation gains and losses were reflected in a reserve for foreign operations. The accompanying 1975 financial statements have been restated in accordance with the Board's requirements resulting in a decrease in net income for 1975 of \$1,236,000 (\$.33 per average common share), and increases in retained earnings at March 31, 1975 and March 31, 1974 of \$262,000 and \$1,498,000, respectively.

### (c) Inventories:

Substantially all of the inventories are computed on a first-in, first-out basis and are valued at lower of cost, replacement market or net realizable value. The inventory quantities are determined for the most part from perpetual inventory records, which are checked by physical inventories taken from time to time during the year, principally at December 31 of each year.

### (d) Plant Property:

Plant property is stated at cost. Depreciation is calculated on the straight-line method for financial statement purposes, and on accelerated methods for U.S. tax purposes. Leasehold improvements are amortized over the life of the lease. Additions, betterments and renewals are capitalized, and expenditures for maintenance and repairs are charged to income. When facilities are retired from service or are otherwise disposed of, the general policy is to remove the cost and accumulated depreciation from the respective asset and reserve accounts, and where applicable, to charge or credit the difference, after the application of sales proceeds or other realization, to income.

### (e) Income Taxes:

The provision for income taxes is based on ele-

ments of income and expense as reported in the statement of income. Deferred income tax expense is provided for differences in the timing of certain items for accounting and tax purposes. No provision is required for additional taxes which may become payable if undistributed earnings of subsidiaries are paid as dividends to the Company, since substantially all of these earnings may be remitted with little or no tax becoming payable.

The investment tax credit is taken into income in the year in which income taxes are reduced by the credit.

### (f) Long-Term Contracts:

Original maturities of government and industrial contracts are mainly one year. However, usually at the convenience of the Government, final deliveries have been extended to periods as long as three years.

Sales under government and industrial contracts are recorded as deliveries are made on fixed-price contracts, and at the time of billing on cost-reimbursement type contracts. Any anticipated losses on these contracts are provided for.

### (g) Earnings per Share:

Primary earnings per share are computed on the basis of the average number of shares of common stock outstanding during the period.

Fully diluted earnings per share represent primary earnings per share adjusted, if the effect would be to reduce earnings per share, to reflect the assumed conversion as of the beginning of the year of debentures outstanding at any time during the year and the elimination of debenture interest charges, net of taxes.

Shares issuable upon the exercise of stock options also are used in the computations if the assumed issuance thereof would reduce earnings per share by 3% or more.

## NOTE 2. INVENTORY AND OTHER WRITE-DOWNS RELATING TO CORPORATE RESTRUCTURING PROGRAM:

The Company is restructuring its operations throughout the world in an effort to restore profitability by achieving greater flexibility and more effective utilization of its resources. In recognition of this program, the Company recorded in operations for the quarter ended December 31, 1975 substantial write-downs to reflect estimated net realizable values of both domestic and foreign inventories and provisions for losses on other assets arising from the scheduled disposition of certain foreign subsidiaries and the contraction of manufacturing facilities. The total charge to operations amounted to \$21,600,000 before applying a related tax credit of \$1,100,000. The net charge of \$20,500,000 amounted to \$5.47 per average common share.

## NOTE 3. INDUSTRIAL-DEFENSE INVENTORIES:

Industrial and defense inventories include contract claims of \$5,600,000 at March 31, 1976 (\$3,200,000



at March 31, 1975). The 1976 balance includes \$3,600,000 representing the amount to be claimed as an equitable adjustment of a fixed price contract because of specification changes and \$2,000,000 under a contract terminated for the convenience of the Government.

**NOTE 4. UNSECURED NOTES PAYABLE:**

Unsecured notes payable to banks were issued in 1976 and 1975 under various informal short-term borrowing arrangements with domestic and foreign banks, including overseas branches of domestic banks. In March 1976, all domestic bank borrowings were converted to long-term borrowings under the revolving credit agreement described in note 6(a). The average interest rate for short-term borrowings at March 31, 1976, all of which were foreign borrowings, was 7.65%. At March 31, 1975, domestic and foreign borrowings were outstanding at an average rate of 8.33%. The maximum short-term borrowings outstanding at any month end during 1976 were \$89,491,000 (\$90,093,000 during 1975). The average balance of unsecured notes payable to banks during 1976 was \$82,744,000 (\$66,311,000 during 1975) (calculated by averaging daily average balances for each month of the year) and the average interest rate was 7.84% (11.12% for 1975) (calculated by dividing total short-term interest expense by the average balances).

**NOTE 5. INCOME TAXES:**

The provision (credit) for income taxes consists of the following:

	(dollars in thousands)	
	1976	1975
Currently payable (recoverable):		
U.S. Federal before investment credit	\$(4,303)	\$(2,633)
Investment credit	—	(86)
U.S. territories	555	2,112
State and local	(313)	(293)
Foreign	1,423	1,027
	<u>(2,638)</u>	<u>127</u>
Deferred:		
U.S. Federal and territories	(32)	480
	<u>\$(2,670)</u>	<u>\$ 607</u>

Timing differences included in the 1976 deferred tax credit of \$32,000 shown above were not significant in relation to the 1976 pre-tax loss. The 1975 provision for deferred taxes includes \$334,000 relating to consolidation adjustments, \$54,000 for the excess of tax over book depreciation and \$92,000 for other items.

Effective income tax rates are 9% for 1976 and 32% for 1975. These rates differ from the 48% U.S. Federal ordinary income tax rate for the following reasons:

	(dollars in thousands)			
	1976	1975		
Tax provision (credit) computed at 48% of pre-tax income (loss)	\$(13,781)	(48)%	\$901	48%
Increase (decrease) in taxes resulting from:				
Foreign exchange losses not deductible for tax purposes	3	—	594	32
Unused net operating loss carryovers	10,075	35	—	—
State and local taxes	(313)	(1)	(152)	(8)
(Income) loss of overseas components—applicable rates less than 48%	1,392	5	(691)	(37)
Investment credit	—	—	(86)	(5)
Other	(46)	—	41	2
Actual provision (credit)	<u>\$(2,670)</u>	<u>(9)%</u>	<u>\$607</u>	<u>32%</u>

Federal income tax returns of the parent Company for the years ended March 31, 1971 and prior have been examined by the Treasury department or are no longer subject to examination and all taxes for such years have been paid. Returns for the years ended March 31, 1972, 1974 and 1975 are presently under examination.

The Federal income tax returns for calendar years 1971 and 1972 of one of the Company's U.S. territories subsidiaries have been audited by the Treasury Department and deductions for certain import duties have been disallowed and an accumulated earnings tax has been proposed. If the Treasury Department is sustained in its position, the proposed deficiencies for 1971-1972 and projected deficiencies for 1973-1975 would approximate \$800,000. The Company is litigating the issues and has received a letter from counsel expressing the opinion that the taxpayer will ultimately be successful.

Unused net operating loss carryovers, expiring in 1981, approximate \$21,000,000 at March 31, 1976.

**NOTE 6. LONG-TERM DEBT:**

(a) *Unsecured notes payable under revolving credit agreement terminating June 30, 1978:*

Under a Credit Agreement dated as of March 8, 1976, as amended, the Company may borrow up to \$61,000,000 from a group of banks at ½ of 1% over 110% of the prime rate. Commitment fees of



½ of 1% of the unused line and facility fees of ¼ of 1% of the total commitment are also payable under the Agreement. The total commitment is to be reduced by \$15,000,000 on June 30, 1977 and by \$10,000,000 on March 31, 1978. Borrowings under the Agreement at March 31, 1976 were \$59,780,000 at an interest rate of 7.93%. Informally, the Company has agreed to maintain minimum compensating bank balances of 5% of the commitment under the Agreement. However, if bank balances are less than 10% of the commitment, a fee will be charged by the banks in lieu of such balances. Compensating balances amounting to \$6,100,000 at March 31, 1976 are not legally restricted.

(b) *8% serial notes due September 15, 1979-1993:*

On September 15, 1979 and annually thereafter to September 15, 1992, \$2,285,000 of the 8% notes mature and on September 15, 1993 the balance of \$2,290,000 is payable.

(c) *4½% convertible subordinated debentures due August 1, 1984:*

The indenture relating to the 4½% debentures provides for a sinking fund for the redemption at par on August 1 in each year, beginning August 1, 1975, of not less than 10% or more than 20% of the total principal amount of debentures outstanding on July 31, 1974 of \$1,343,000. Debentures converted into shares of common stock, or otherwise cancelled or redeemed (but not through the sinking fund, except in excess of the minimum annual requirement) on or after August 1, 1974, may be credited against subsequent sinking fund requirements. In June 1975, the Company purchased \$135,000 principal amount of debentures for \$110,000 in settlement of the August 1, 1975 sinking fund requirement.

The debentures are convertible into common stock at the rate of 6.44 shares for each \$100 principal amount of debentures, subject to anti-dilution provisions.

(d) *6% convertible subordinated debentures due February 1, 1990:*

The indenture relating to the 6% debentures provides for a sinking fund for the redemption at par on February 1 in each year, beginning February 1, 1981, of not less than \$2,100,000 or more than \$4,200,000 principal amount of debentures. Debentures converted into common stock or otherwise cancelled or redeemed (including any debenture redeemed through the sinking fund in excess of the minimum requirements) may be credited against such sinking fund requirements.

The debentures are convertible into common stock at the rate of 2.62 shares for each \$100 principal amount of debentures, subject to antidilution provisions.

(e) Terms of the Company's agreements relating to long-term debt require the maintenance of specified amounts of working capital, liquid assets (as defined) and net worth, provide for scheduled reductions in

inventory balances, restrict the creation of additional debt, acquisition of plant property and other corporate actions and prohibit the payment of dividends other than stock dividends. The Company was not in compliance with certain of the financial covenants in the 8% serial notes loan agreement during the latter part of fiscal 1976. However, the Company entered into a Supplemental Agreement and Waiver with the noteholders, dated as of March 8, 1976, under which terms of the 8% serial notes loan agreement were waived or modified so long as the Credit Agreement described in section (a) of this note 6 is in effect, but in no event later than June 30, 1978.

Exclusive of borrowings under the revolving credit agreement which mature, at the latest, on June 30, 1978, maturities of long-term debt described above during the next five years are: 1977, \$134,000; 1978, \$134,000; 1979, \$134,000; 1980, \$2,419,000; 1981, \$4,519,000.

**NOTE 7. STOCKHOLDERS' EQUITY:**

In addition to the common stock, 500,000 shares of preferred stock are authorized for issuance.

Under the 1971 Stock Option Plan for Key Employees approved by the stockholders, any eligible employee may be granted a qualified option, a non-qualified option or a combination of both to purchase common stock at an option price not less than 100% of market value at the date of the grant. A qualified option must expire not later than five years from the date of the grant. A non-qualified option may extend up to ten years from the date of the grant. Any option may include a provision which permits the option holder, in effect, to sell the option back to the Company, in whole or in part, by exchanging it for common stock equal in value to the excess over the option price of the current fair market value of the common stock covered by the portion of the option exchanged. All options granted through March 31, 1976 are exercisable at date of grant, provided the recipient has no outstanding option at a higher price. There were no charges to income during the two years ended March 31, 1976 with respect to stock options. The following options were outstanding at March 31, 1976:

Outstanding:	Number of Shares	Market Value at Date of Grant and Option Price	
		Per Share	Aggregate
1972 grants ..	120,500	\$21.56	\$2,598,000
1973 grants ..	47,000	17.06	802,000
1976 grants ..	15,000	6.75	101,000
	<u>182,500</u>		<u>\$3,501,000</u>

Options to purchase 15,000 shares were granted in 1976 (none in 1975). No options were exercised in 1976 or 1975. Options for 6,500 shares expired or were cancelled in 1976 (14,500 shares in 1975). At March 31, 1976, options to purchase 67,500 shares were available for grant (76,000 shares at March 31, 1975).



At March 31, 1976, shares of common stock were reserved for issuance for the following purposes:

Employee options .....	182,500
Conversion of debentures .....	632,693
	815,193

**NOTE 8. CONTRACTS SUBJECT TO RENEGOTIATION:**

Profits under contracts with the United States Government subject to renegotiation have been cleared through the year ended March 31, 1975. Management is of the opinion that no excess profits were realized for the year ended March 31, 1976.

**NOTE 9. RETIREMENT PLANS:**

The Company maintains a non-contributory pension plan for all of its employees in the United States. Separate retirement plans are maintained by the Company's Swiss branch and by several foreign subsidiaries. The cost of all plans amounted to \$1,773,000 in 1976 and \$834,000 in 1975, the increase in 1976 arising principally from adverse actuarial experience in the U.S. plan. The 1976 cost of the U.S. plan has been charged against income but has not been funded.

The Company's actuaries are presently reviewing the U.S. plan for compliance with the Employee Retirement Income Security Act of 1974 (ERISA) and are also reviewing the assumptions employed for plan valuation purposes. On the basis of information supplied by the actuaries, amendments to the U.S. plan to comply with provisions of ERISA will have no material effect on the financial position or results of operations of the Company.

**NOTE 10. FOREIGN OPERATIONS:**

Significant foreign currency items included in the consolidated financial statements are as follows:

	1976	1975
Current Assets .....	\$61,362,000	\$91,040,000
Non-Current Assets ..	12,180,000	14,212,000
Liabilities .....	25,053,000	44,616,000
Sales .....	65,447,000	64,049,000
Equity in (Loss) .....	<u>(13,787,000)</u>	<u>(244,000)</u>

The equity in loss shown above includes the applicable portion of the 1976 inventory and other write-downs referred to in Note 2.

**NOTE 11. SUPPLEMENTARY INCOME STATEMENT INFORMATION:**

	1976	1975
Depreciation .....	\$2,488,000	\$2,792,000
Taxes, other than income taxes:		
Social security ..	6,147,000	7,012,000
Other .....	1,682,000	1,476,000
Rents .....	2,044,000	2,245,000
Advertising .....	<u>7,377,000</u>	<u>9,653,000</u>

**NOTE 12. SUBSEQUENT EVENT:**

On May 26, 1976 Stelux Manufacturing Co., Ltd., Hong Kong, acquired 26.8% of the Company's outstanding common stock. On June 11, 1976 the Company was informed by the Department of Defense, that its security clearance was being invalidated because of control by foreign nationals of over 6% of its shares, but that the Company can continue working on all Government contracts currently in process. Management believes it can achieve reinstatement of its security clearance and is of the opinion that conformity to Government regulations can be achieved by negotiation, without material adverse effect upon the Company. In fiscal 1976, sales to the Government constituted approximately 9% of total sales.

## Report of Independent Certified Public Accountants

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

We have examined the consolidated balance sheets of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1976 and 1975 and the related consolidated statements of income, stockholders' equity and changes in financial position for the years 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1976 and 1975, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of translating foreign currency items and accounting for related gains and losses as described in note 1(b).

*Peat, Marwick, Mitchell & Co.*  
345 Park Avenue, New York, New York

June 14, 1976



# From Bulova



Advanced technology L.E.D. digital watches that tell the hour, minute, second, month and date. (Self-setting for months of 28, 30 and 31 days.)

Automatic sensors adjust numeral brightness for easy reading, day or night.

Simplified one-button time setting controls.

Scratch resistant mineral crystals keep readouts sharp and clear.

Performance backed by 20,000 dealers.

From \$99 to \$180 (suggested retail prices).

**BULOVA COMPUTRON<sup>®</sup>**  
**QUARTZ WATCHES**

# From \$99



**Bulova Watch Company, Inc.** 630 Fifth Ave., New York, N.Y. 10020