

OXFORD INDUSTRIES INC

Form 10-Q

January 09, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **NOVEMBER 30, 2007**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

**Commission File Number: 1-4365
OXFORD INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Georgia

58-0831862

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

222 Piedmont Avenue, N.E., Atlanta, Georgia 30308

(Address of principal executive offices) (Zip Code)

(404) 659-2424

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Title of each class | Number of shares outstanding as of January 4, 2008 |
|-----------------------------|---|
| Common Stock, \$1 par value | 16,049,881 |

OXFORD INDUSTRIES, INC.
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For the second quarter of Transition Period 2008

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Our Securities and Exchange Commission filings and public announcements often include forward-looking statements about future events. Generally, the words believe, expect, intend, estimate, anticipate, project, w similar expressions identify forward-looking statements, which generally are not historical in nature. We intend for all such forward-looking statements contained herein, the entire contents of our website, and all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Important assumptions relating to these forward-looking statements include, among others, assumptions regarding general and regional economic conditions, including those that affect consumer demand and spending, demand for our products, timing of shipments to our wholesale customers, expected pricing levels, competitive conditions, the timing and cost of planned capital expenditures, expected synergies in connection with acquisitions and joint ventures, raw material costs, expected outcomes of pending or potential litigation and regulatory actions and the results of our share repurchase transaction. Forward-looking statements reflect our current expectations, based on currently available information, and are not guarantees of performance. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these expectations could prove inaccurate as such statements involve risks and uncertainties, many of which are beyond our ability to control or predict. Should one or more of these risks or uncertainties, or other risks or uncertainties not currently known to us or that we currently deem to be immaterial, materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Important factors relating to these risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors contained in our fiscal 2007 Form 10-K, as updated by Part II, Item 1A. Risk Factors in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission.

We caution that one should not place undue reliance on forward-looking statements, which speak only as of the date this report is filed with the Securities and Exchange Commission. We disclaim any intention, obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITIONS

As used in this report, unless the context requires otherwise, our, us and we mean Oxford Industries, Inc. and its consolidated subsidiaries. Also, the terms FASB, SFAS, EITF and SEC mean the Financial Accounting Standards Board, Statement of Financial Accounting Standards, Emerging Issues Task Force and the U.S. Securities and Exchange Commission, respectively.

On October 8, 2007, our board of directors approved a change to our fiscal year end. Effective with our fiscal year which commenced on June 2, 2007, our fiscal year will end at the end of the Saturday closest to January 31 and will, in each case, begin at the beginning of the day next following the last day of the preceding fiscal year. Accordingly, there will be a transition period from June 2, 2007 through February 2, 2008. We have filed a Form 10-Q for the quarter ended August 31, 2007, are filing this Form 10-Q for the quarter ended November 30, 2007 and will file a transition report on Form 10-K for the transition period from June 2, 2007 through February 2, 2008. Additionally, the terms listed below (or words of similar import) reflect the respective period noted:

| | |
|-------------------------------|--|
| Fiscal 2008 | 52 weeks ending January 31, 2009 |
| Transition period 2008 | 35 weeks and one day ending February 2, 2008 |
| Fiscal 2007 | 52 weeks ended June 1, 2007 |
| Fourth quarter of fiscal 2008 | 13 weeks ending January 31, 2009 |
| Third quarter of fiscal 2008 | 13 weeks ending November 1, 2008 |
| Second quarter of fiscal 2008 | 13 weeks ending August 2, 2008 |

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| | |
|--|---|
| Third quarter of transition period 2008 | 9 weeks and one day ending February 2, 2008 |
| Second quarter of transition period 2008 | 13 weeks ended November 30, 2007 |
| First quarter of transition period 2008 | 13 weeks ended August 31, 2007 |
| First six months of transition period 2008 | 26 weeks ended November 30, 2007 |
| First six months of fiscal 2007 | 26 weeks ended December 1, 2006 |
| Fourth quarter of fiscal 2007 | 13 weeks ended June 1, 2007 |
| Third quarter of fiscal 2007 | 13 weeks ended March 2, 2007 |
| Second quarter of fiscal 2007 | 13 weeks ended December 1, 2006 |
| First quarter of fiscal 2007 | 13 weeks ended September 1, 2006 |

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PART I. FINANCIAL INFORMATION
ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OXFORD INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(in thousands, except per share amounts)

| | Second Quarter | | First Six Months | |
|---|---------------------------|-------------|---------------------------|-------------|
| | Transition Period 2008 | Fiscal 2007 | Transition Period 2008 | Fiscal 2007 |
| Net sales | \$294,486 | \$290,987 | \$532,433 | \$575,065 |
| Cost of goods sold | 179,566 | 179,187 | 320,062 | 355,154 |
| Gross profit | 114,920 | 111,800 | 212,371 | 219,911 |
| Selling, general and administrative expenses | 94,706 | 89,124 | 183,567 | 175,570 |
| Amortization of intangible assets | 1,202 | 1,550 | 2,392 | 3,097 |
| | 95,908 | 90,674 | 185,959 | 178,667 |
| Royalties and other operating income | 5,475 | 3,894 | 9,259 | 6,786 |
| Operating income | 24,487 | 25,020 | 35,671 | 48,030 |
| Interest expense, net | 5,930 | 5,951 | 10,926 | 11,443 |
| Earnings before income taxes | 18,557 | 19,069 | 24,745 | 36,587 |
| Income taxes | 5,954 | 6,924 | 7,366 | 13,287 |
| Net earnings from continuing operations | 12,603 | 12,145 | 17,379 | 23,300 |
| Earnings (loss) from discontinued operations, net of taxes | | 8 | | (197) |
| Net earnings | \$ 12,603 | \$ 12,153 | \$ 17,379 | \$ 23,103 |
| | | | | |
| Net earnings from continuing operations per common share: | | | | |
| Basic | \$ 0.72 | \$ 0.69 | \$ 0.98 | \$ 1.32 |
| Diluted | \$ 0.71 | \$ 0.68 | \$ 0.98 | \$ 1.31 |
| | | | | |
| Earnings (loss) from discontinued operations per common share: | | | | |
| Basic | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ (0.01) |
| Diluted | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ (0.01) |
| | | | | |
| Net earnings per common share: | | | | |
| Basic | \$ 0.72 | \$ 0.69 | \$ 0.98 | \$ 1.31 |
| Diluted | \$ 0.71 | \$ 0.68 | \$ 0.98 | \$ 1.30 |

Weighted average common shares**outstanding:**

| | | | | |
|--|--------|--------|--------|--------|
| Basic | 17,553 | 17,654 | 17,667 | 17,624 |
| Dilutive impact of options and restricted shares | 104 | 209 | 146 | 204 |
| Diluted | 17,657 | 17,863 | 17,813 | 17,828 |

Dividends per common share

| | | | |
|---------|---------|---------|---------|
| \$ 0.18 | \$ 0.15 | \$ 0.36 | \$ 0.30 |
|---------|---------|---------|---------|

See accompanying notes.

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OXFORD INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except par amounts)

| | November 30, 2007 | June 1, 2007 | December 1, 2006 |
|--|-------------------------|------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 21,489 | \$ 36,882 | \$ 8,794 |
| Receivables, net | 164,589 | 138,035 | 166,680 |
| Inventories | 140,900 | 137,333 | 138,990 |
| Prepaid expenses | 20,724 | 21,991 | 19,618 |
| Total current assets | 347,702 | 334,241 | 334,082 |
| Property, plant and equipment, net | 92,357 | 87,323 | 81,021 |
| Goodwill, net | 224,778 | 222,430 | 202,054 |
| Intangible assets, net | 236,050 | 234,081 | 236,261 |
| Other non-current assets, net | 32,186 | 30,663 | 29,990 |
| Total Assets | \$933,073 | \$908,738 | \$883,408 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | |
| Current Liabilities: | | | |
| Trade accounts payable and other accrued expenses | \$ 96,532 | \$ 84,385 | \$ 98,538 |
| Accrued compensation | 19,605 | 26,254 | 19,788 |
| Additional acquisition cost payable | | 22,575 | |
| Income taxes payable | 5,310 | 8,827 | 1,200 |
| Short-term debt and current maturities of long-term debt | 32,914 | 403 | 90 |
| Current liabilities related to discontinued operations | | | 5,452 |
| Total current liabilities | 154,361 | 142,444 | 125,068 |
| Long-term debt, less current maturities | 244,384 | 199,294 | 217,005 |
| Other non-current liabilities | 52,061 | 40,947 | 35,082 |
| Non-current deferred income taxes | 71,172 | 75,108 | 81,075 |
| Commitments and contingencies | | | |
| Shareholders Equity: | | | |
| Preferred stock, \$1.00 par value; 30,000 authorized and none issued and outstanding at November 30, 2007; June 1, 2007; and December 1, 2006 | | | |
| Common stock, \$1.00 par value; 60,000 authorized and 16,040 issued and outstanding at November 30, 2007; 17,843 issued and outstanding at June 1, 2007; and 17,775 issued and outstanding at December 1, 2006 | 16,040 | 17,843 | 17,775 |
| Additional paid-in capital | 85,028 | 81,611 | 78,625 |
| Retained earnings | 294,323 | 341,369 | 318,749 |

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| | | | |
|--|-----------|-----------|-----------|
| Accumulated other comprehensive income | 15,704 | 10,122 | 10,029 |
| Total shareholders equity | 411,095 | 450,945 | 425,178 |
| Total Liabilities and Shareholders Equity | \$933,073 | \$908,738 | \$883,408 |

See accompanying notes.

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OXFORD INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

| | First Six Months | |
|--|-----------------------------------|--------------------|
| | Transition Period 2008 | Fiscal 2007 |
| Cash Flows From Operating Activities: | | |
| Net earnings from continuing operations | \$ 17,379 | \$ 23,300 |
| Adjustments to reconcile earnings from continuing operations to net cash provided by (used in) operating activities: | | |
| Depreciation | 8,544 | 7,642 |
| Amortization of intangible assets | 2,392 | 3,097 |
| Amortization of deferred financing costs and bond discount | 1,254 | 1,232 |
| Stock compensation expense | 1,166 | 1,702 |
| Loss on sale of property, plant and equipment and impairment loss | 722 | 476 |
| Equity loss (income) from unconsolidated entities | (950) | (604) |
| Deferred income taxes | (2,094) | 785 |
| Changes in working capital: | | |
| Receivables | (22,947) | (21,273) |
| Inventories | (2,941) | (14,676) |
| Prepaid expenses | (1,896) | (170) |
| Current liabilities | 2,668 | (16,371) |
| Other non-current assets | (1,739) | (905) |
| Other non-current liabilities | 5,020 | 5,067 |
| Net cash provided by (used in) operating activities | 6,578 | (10,698) |
| Cash Flows From Investing Activities: | | |
| Acquisitions, net of cash acquired | (21,562) | (12,111) |
| Investment in unconsolidated entity | (324) | (9,090) |
| Purchases of property, plant and equipment | (16,410) | (15,268) |
| Proceeds from sale of property, plant and equipment | 2,349 | 32 |
| Net cash provided by (used in) investing activities | (35,947) | (36,437) |
| Cash Flows From Financing Activities: | | |
| Repayment of financing arrangements | (63,526) | (123,676) |
| Proceeds from financing arrangements | 141,019 | 140,526 |
| Repurchase of common stock | (60,000) | |
| Proceeds from issuance of common stock including tax benefits | 2,385 | 2,240 |
| Dividends on common stock | (6,453) | (7,970) |
| Net cash provided by (used in) financing activities | 13,425 | 11,120 |
| Cash Flows From Discontinued Operations: | | |
| Net operating cash flows provided by discontinued operations | | 33,746 |
| Net cash provided by (used in) discontinued operations | | 33,746 |

| | | |
|---|-----------|-----------|
| Net change in cash and cash equivalents | (15,944) | (2,269) |
| Effect of foreign currency translation on cash and cash equivalents | 551 | 584 |
| Cash and cash equivalents at the beginning of period | 36,882 | 10,479 |
| Cash and cash equivalents at the end of period | \$ 21,489 | \$ 8,794 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest, net | \$ 1,142 | \$ 10,682 |
| Cash paid for income taxes | \$ 10,421 | \$ 19,538 |
| See accompanying notes. | | |

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OXFORD INDUSTRIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER OF TRANSITION PERIOD 2008

1. Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States. We believe the accompanying unaudited condensed consolidated financial statements reflect all normal, recurring adjustments that are necessary for a fair presentation of our financial position and results of operations for the periods presented. Results of operations for the interim periods presented are not necessarily indicative of results to be expected for our fiscal year primarily due to the impact of seasonality on our business. The accounting policies applied during the interim periods presented are consistent with the significant accounting policies as described in our fiscal 2007 Form 10-K. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in our fiscal 2007 Form 10-K.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with FASB Statement No. 109 Accounting for Income Taxes. FIN 48 utilizes a two-step approach for evaluating tax positions. Recognition occurs when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement is only addressed if step one has been satisfied. The tax benefit recorded is measured as the largest amount of benefit, determined on a cumulative probability basis that is more-likely-than-not to be realized upon ultimate settlement. Those tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period they meet the more-likely-than-not standard, or are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. De-recognition of a tax position that was previously recognized occurs when we subsequently determine that a tax position no longer meets the more-likely-than-not threshold of being sustained. We adopted FIN 48 during the first quarter of transition period 2008, resulting in an immaterial increase in retained earnings. Additionally, the adoption of FIN 48 resulted in the reclassification of certain amounts totaling approximately \$5.3 million from income taxes payable and non-current deferred income taxes to other non-current liabilities. This reclassification is reflected as a non-cash operating item for statement of cash flow purposes. FIN 48 also requires expanded disclosure requirements, which are included in Note 5 below.

EITF 06-4 Endorsement Split-Dollar Life Insurance Arrangements (EITF 06-4) was ratified in September 2006. EITF 06-4 requires that the post-retirement benefit portion of an endorsement-type split-dollar life insurance policy should be recognized as a liability because the obligation is not effectively settled by the purchase of the life insurance policy. The liability for future benefits is recognized based on the substantive agreement with the employee (which provides a future death benefit). We adopted EITF 06-4 during the first quarter of transition period 2008, resulting in the recognition of an immaterial current liability and a reduction to retained earnings to reflect the cumulative-effect adjustment.

In September 2006, the FASB issued FASB Statement No. 157 Fair Value Measurements (FAS 157). FAS 157 is applicable in our next fiscal year. FAS 157 provides enhanced guidance for using fair value measurements for assets and liabilities. The standard also requires additional disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. We do not anticipate that the adoption of FAS 157 will have a material impact upon adoption.

In February 2007, the FASB issued FASB Statement No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159). FAS 159 is applicable in our next fiscal year. FAS 159 permits entities to choose to measure eligible items in the balance sheet at fair value at specified election dates with the unrealized gains and losses recognized in earnings. We do not anticipate that the adoption of FAS 159 will have a material impact upon adoption.

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2. Inventories: The components of inventories as of the dates specified are summarized as follows (in thousands):

| | November 30, 2007 | June 1, 2007 | December 1, 2006 |
|---------------------------|------------------------------|---------------------|-----------------------------|
| Finished goods | \$ 152,846 | \$ 139,087 | \$ 135,804 |
| Work in process | 9,391 | 12,031 | 12,359 |
| Fabric, trim and supplies | 18,365 | 25,498 | 29,131 |
| LIFO reserve | (39,702) | (39,283) | (38,304) |
| Total | \$ 140,900 | \$ 137,333 | \$ 138,990 |

For operating group reporting, inventory is valued at the lower of FIFO cost or market. However for consolidated financial reporting, approximately \$64.2 million of our inventories are valued at the lower of LIFO cost or market, after deducting the \$39.7 million LIFO reserve, and approximately \$76.7 million of our inventories are valued at the lower of FIFO cost or market.

3. Comprehensive Income: Comprehensive income, which reflects the effects of foreign currency translation adjustments, is calculated as follows for the periods presented (in thousands):

| | Second Quarter Transition Period 2008 | | First Six Months Transition Period 2008 | |
|--|--|--------------------|--|--------------------|
| | | Fiscal 2007 | | Fiscal 2007 |
| Net earnings | \$ 12,603 | \$ 12,153 | \$ 17,379 | \$ 23,103 |
| Gain on foreign currency translation, net of tax | 3,123 | 4,240 | 5,582 | 4,759 |
| Comprehensive income | \$ 15,726 | \$ 16,393 | \$ 22,961 | \$ 27,862 |

4. Operating Group Information: Our business is operated through our four operating groups: Tommy Bahama, Ben Sherman, Lanier Clothes and Oxford Apparel. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance. Corporate and Other is a reconciling category for reporting purposes and includes our corporate offices, substantially all financing activities, LIFO inventory accounting adjustments and other costs that are not allocated to the operating groups. In connection with the close of fiscal 2007 and due to changes in our management reporting structure, we reassessed and changed our operating groups for reporting purposes. All fiscal 2007 amounts below have been restated to reflect the revised operating groups. Leaders of the operating groups report directly to our Chief Executive Officer. For further information on our operating groups, see Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report and Part I, Item 1. Business in our fiscal 2007 Form 10-K.

The information below presents certain information about our operating groups (in thousands).

| | Second Quarter Transition Period 2008 | | First Six Months Transition Period 2008 | |
|------------------|--|--------------------|--|--------------------|
| | | Fiscal 2007 | | Fiscal 2007 |
| Net Sales | | | | |
| Tommy Bahama | \$ 110,297 | \$ 107,807 | \$ 209,495 | \$ 211,955 |
| Ben Sherman | 45,576 | 43,825 | 83,133 | 82,917 |

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| | | | | |
|---------------------|------------------|------------------|------------------|------------------|
| Lanier Clothes | 51,189 | 51,121 | 86,770 | 91,803 |
| Oxford Apparel | 87,091 | 88,121 | 152,426 | 187,158 |
| Corporate and Other | 333 | 113 | 609 | 1,232 |
| Total | \$294,486 | \$290,987 | \$532,433 | \$575,065 |

Depreciation

| | | | | |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| Tommy Bahama | \$ 3,125 | \$ 2,762 | \$ 6,243 | \$ 5,434 |
| Ben Sherman | 667 | 515 | 1,283 | 972 |
| Lanier Clothes | 198 | 216 | 401 | 440 |
| Oxford Apparel | 244 | 293 | 504 | 586 |
| Corporate and Other | 53 | 109 | 113 | 210 |
| Total | \$ 4,287 | \$ 3,895 | \$ 8,544 | \$ 7,642 |

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| | Second Quarter | | First Six Months | |
|--|---------------------------|----------------------------------|---------------------------|-----------------------------|
| | Transition Period 2008 | Fiscal 2007 | Transition Period 2008 | Fiscal 2007 |
| Amortization of Intangible Assets | | | | |
| Tommy Bahama | \$ 542 | \$ 743 | \$ 1,084 | \$ 1,487 |
| Ben Sherman | 588 | 797 | 1,165 | 1,591 |
| Lanier Clothes | 30 | | 60 | |
| Oxford Apparel | 32 | | 64 | |
| Corporate and Other | 10 | 10 | 19 | 19 |
| Total | \$ 1,202 | \$ 1,550 | \$ 2,392 | \$ 3,097 |
| Operating Income | | | | |
| Tommy Bahama | \$14,347 | \$13,927 | \$ 27,371 | \$30,762 |
| Ben Sherman | 5,801 | 4,741 | 6,543 | 6,661 |
| Lanier Clothes | 1,955 | 3,721 | 2,262 | 6,217 |
| Oxford Apparel | 7,288 | 5,228 | 10,889 | 11,423 |
| Corporate and Other | (4,904) | (2,597) | (11,394) | (7,033) |
| Total Operating Income | \$24,487 | \$25,020 | \$ 35,671 | \$48,030 |
| Interest Expense, net | 5,930 | 5,951 | 10,926 | 11,443 |
| Earnings Before Income Taxes | \$18,557 | \$19,069 | \$ 24,745 | \$36,587 |
| | | November 30, 2007 | June 1, 2007 | December 1, 2006 |
| Assets | | | | |
| Tommy Bahama | | \$490,513 | \$469,414 | \$448,087 |
| Ben Sherman | | 229,779 | 223,779 | 221,421 |
| Lanier Clothes | | 92,132 | 95,184 | 96,082 |
| Oxford Apparel | | 107,688 | 96,627 | 116,934 |
| Corporate and Other | | 12,961 | 23,734 | 884 |
| Total | | \$933,073 | \$908,738 | \$883,408 |

5. Income Taxes: We file income tax returns in the United States and various state and foreign jurisdictions. Our federal, state, local and foreign income tax returns filed for years ended on or before May 30, 2003, with limited exceptions, are no longer subject to examination by tax authorities.

As discussed in Note 1 above, we adopted FIN 48 in the first quarter of transition period 2008. Upon adoption, the gross amount of unrecognized tax benefits was approximately \$5.3 million. Additionally, we recognized \$0.6 million of related interest and penalties. If we were to prevail on all unrecognized tax benefits recorded, approximately \$4.7 million of the reserve for unrecognized tax benefits recorded and the full amount of related interest and penalties would benefit the effective tax rate. The remaining \$0.6 million of unrecognized tax benefits would be offset by

benefits available in a different taxing jurisdiction.

Interest and penalties associated with unrecognized tax positions are recorded within income tax expense in our consolidated statements of earnings.

It is reasonably possible that the amount of unrecognized benefit with respect to certain of our unrecognized tax positions will increase or decrease within the next twelve months. Events that may cause these changes include the settlement of issues with taxing authorities or expiration of statutes of limitations. We do not expect these changes to have a significant effect on our results of operations or our financial position. The amount of unrecognized tax benefits did not change materially during the first six months of transition period 2008.

6. Accelerated Share Repurchase: On October 31, 2007, our board of directors authorized the repurchase by us of up to \$60 million of our outstanding common stock, replacing our previously announced stock repurchase authorization. On November 8, 2007, we entered into an accelerated share repurchase agreement with Bank of America, N.A., an unrelated third party, under which we are repurchasing \$60 million of our common stock. The material terms of the agreement are as follows:

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The agreement provides for a capped accelerated share repurchase pursuant to which we will purchase shares of our common stock from Bank of America for an aggregate purchase price of \$60 million.

On November 8, 2007, we made a payment of \$60 million to Bank of America in respect of the shares to be acquired under the agreement. We funded this payment from borrowings under our revolving credit facility.

Bank of America made an initial delivery to us of 1.6 million shares of our common stock on November 16, 2007, and an additional delivery to us of 0.3 million shares of our common stock on November 20, 2007, with these 1.9 million shares being the minimum number of shares of our common stock that we will receive.

The actual per share purchase price and the number of shares to be repurchased will be based on the volume weighted average price, or VWAP, of our common stock over a specified calculation period, beginning on November 20, 2007 and ending no earlier than March 19, 2008 and no later than May 19, 2008. The purchase price we will pay under the agreement will not exceed \$30.95556 per share.

At the end of the repurchase program, Bank of America will be required to deliver additional shares if the VWAP over the specified calculation period is below \$30.95556.

The agreement contains other terms and conditions governing the accelerated stock repurchase, including the circumstances under which Bank of America is permitted to terminate the program early or extend the repurchase period and the circumstances under which we may be required to purchase shares at a price in excess of the cap price or would receive shares representing less than \$60 million of the VWAP for our common stock during the calculation period.

- 7. Consolidating Financial Data of Subsidiary Guarantors:** Our Senior Unsecured Notes are guaranteed by our wholly owned domestic subsidiaries (Subsidiary Guarantors). All guarantees are full and unconditional. For consolidated financial reporting purposes, non-guarantors consist of our subsidiaries which are organized outside of the United States. We use the equity method with respect to investment in subsidiaries included in other non-current assets in our condensed consolidating financial statements. Set forth below are our unaudited condensed consolidating balance sheets as of November 30, 2007, June 1, 2007, and December 1, 2006, our unaudited condensed consolidating statements of earnings for the second quarter and first six months of transition period 2008 and fiscal 2007 and our unaudited condensed consolidating statements of cash flows for the first six months of transition period 2008 and fiscal 2007 (in thousands).

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OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS
November 30, 2007

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|---|---|----------------------------------|---|--------------------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 11,237 | \$ 1,088 | \$ 9,164 | \$ | \$ 21,489 |
| Receivables, net | 73,933 | 57,941 | 41,056 | (8,341) | 164,589 |
| Inventories | 59,177 | 68,709 | 14,235 | (1,221) | 140,900 |
| Prepaid expenses | 7,295 | 8,385 | 5,044 | | 20,724 |
| Total current assets | 151,642 | 136,123 | 69,499 | (9,562) | 347,702 |
| Property, plant and equipment, net | 8,458 | 76,919 | 6,980 | | 92,357 |
| Goodwill, net | 1,847 | 168,932 | 53,999 | | 224,778 |
| Intangible assets, net | 1,265 | 135,227 | 99,558 | | 236,050 |
| Other non-current assets, net | 798,764 | 149,969 | 1,371 | (917,918) | 32,186 |
| Total Assets | \$961,976 | \$ 667,170 | \$231,407 | \$(927,480) | \$933,073 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| Current liabilities | \$ 75,168 | \$ 55,628 | \$ 31,492 | \$ (7,927) | \$154,361 |
| Long-term debt, less current portion | 244,384 | | | | 244,384 |
| Non-current liabilities | 235,760 | (182,262) | 107,713 | (109,150) | 52,061 |
| Non-current deferred income taxes | (4,431) | 42,076 | 33,815 | (288) | 71,172 |
| Total shareholders /invested equity | 411,095 | 751,728 | 58,387 | (810,115) | 411,095 |
| Total Liabilities and Shareholders /Invested Equity | \$961,976 | \$ 667,170 | \$231,407 | \$(927,480) | \$933,073 |

June 1, 2007

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|------------------------------------|---|----------------------------------|---|--------------------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 22,863 | \$ 1,212 | \$ 12,807 | \$ | \$ 36,882 |
| Receivables, net | 52,226 | 61,076 | 31,184 | (6,451) | 138,035 |
| Inventories | 70,273 | 52,644 | 15,114 | (698) | 137,333 |
| Prepaid expenses | 8,808 | 8,293 | 4,890 | | 21,991 |
| Total current assets | 154,170 | 123,225 | 63,995 | (7,149) | 334,241 |
| Property, plant and equipment, net | 9,221 | 68,932 | 9,170 | | 87,323 |
| Goodwill, net | 1,847 | 168,932 | 51,651 | | 222,430 |
| Intangible assets, net | 1,349 | 136,370 | 96,362 | | 234,081 |

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| | | | | | |
|-------------------------------|-----------|------------|-----------|-------------|-----------|
| Other non-current assets, net | 767,701 | 150,496 | 1,346 | (888,880) | 30,663 |
| Total Assets | \$934,288 | \$ 647,955 | \$222,524 | \$(896,029) | \$908,738 |

LIABILITIES AND SHAREHOLDERS EQUITY

| | | | | | |
|---|-----------|------------|-----------|-------------|-----------|
| Current liabilities | 62,163 | 56,811 | 29,325 | (5,855) | 142,444 |
| Long-term debt, less current portion | 199,294 | | | | 199,294 |
| Non-current liabilities | 222,114 | (184,807) | 112,789 | (109,149) | 40,947 |
| Non-current deferred income taxes | (228) | 43,604 | 31,732 | | 75,108 |
| Total shareholders /invested equity | 450,945 | 732,347 | 48,678 | (781,025) | 450,945 |
| Total Liabilities and Shareholders Equity | \$934,288 | \$ 647,955 | \$222,524 | \$(896,029) | \$908,738 |

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OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS
December 1, 2006

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|------------------------------------|---|----------------------------------|---|--------------------------------------|-------------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 1,548 | \$ 1,016 | \$ 6,230 | \$ | \$ 8,794 |
| Receivables, net | 75,096 | 62,401 | 36,801 | (7,618) | 166,680 |
| Inventories | 61,908 | 61,877 | 15,809 | (604) | 138,990 |
| Prepaid expenses | 8,219 | 7,880 | 3,519 | | 19,618 |
| Total current assets | 146,771 | 133,174 | 62,359 | (8,222) | 334,082 |
| Property, plant and equipment, net | 10,256 | 61,811 | 8,954 | | 81,021 |
| Goodwill, net | 1,847 | 148,556 | 51,651 | | 202,054 |
| Intangible assets, net | 1,432 | 137,918 | 96,911 | | 236,261 |
| Other non-current assets, net | 709,426 | 150,214 | 1,391 | (831,041) | 29,990 |
| Total Assets | \$869,732 | \$ 631,673 | \$221,266 | \$(839,263) | \$883,408 |

LIABILITIES AND SHAREHOLDERS EQUITY

| | | | | | |
|--|-----------|------------|-----------|-------------|-----------|
| Current liabilities related to continuing operations | \$ 48,479 | \$ 45,900 | \$ 32,224 | \$ (6,987) | \$119,616 |
| Current liabilities related to discontinued operations | 5,192 | 276 | (16) | | 5,452 |
| Long-term debt, less current portion | 217,005 | | | | 217,005 |
| Non-current liabilities | 174,733 | (137,718) | 107,217 | (109,150) | 35,082 |
| Non-current deferred income taxes | (855) | 47,245 | 34,685 | | 81,075 |
| Total shareholders /invested equity | 425,178 | 675,970 | 47,156 | (723,126) | 425,178 |
| Total Liabilities and Shareholders /Invested Equity | \$869,732 | \$ 631,673 | \$221,266 | \$(839,263) | \$883,408 |

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS
Second Quarter of Transition Period 2008

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|--------------------|---|----------------------------------|---|--------------------------------------|-------------------------------|
| Net sales | \$134,710 | \$124,394 | \$47,077 | \$(11,695) | \$294,486 |
| Cost of goods sold | 105,130 | 57,596 | 20,362 | (3,522) | 179,566 |
| Gross profit | 29,580 | 66,798 | 26,715 | (8,173) | 114,920 |

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| | | | | | |
|-------------------------------------|-----------|-----------|----------|------------|-----------|
| Selling, general and administrative | 25,613 | 56,865 | 22,193 | (8,763) | 95,908 |
| Royalties and other income | (3) | 2,805 | 3,066 | (393) | 5,475 |
| Operating income | 3,964 | 12,738 | 7,588 | 197 | 24,487 |
| Interest (income) expense, net | 6,941 | (3,528) | 2,502 | 15 | 5,930 |
| Income from equity investment | 14,020 | | | (14,020) | |
| Earnings before income taxes | 11,043 | 16,266 | 5,086 | (13,838) | 18,557 |
| Income taxes (benefit) | (1,444) | 5,578 | 1,758 | 62 | 5,954 |
| Net earnings | \$ 12,487 | \$ 10,688 | \$ 3,328 | \$(13,900) | \$ 12,603 |

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OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS
First Six Months of Transition Period 2008

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|-------------------------------------|---|----------------------------------|---|--------------------------------------|-------------------------------|
| Net sales | \$234,125 | \$231,427 | \$87,016 | \$(20,135) | \$532,433 |
| Cost of goods sold | 183,692 | 102,734 | 37,746 | (4,110) | 320,062 |
| Gross profit | 50,433 | 128,693 | 49,270 | (16,025) | 212,371 |
| Selling, general and administrative | 47,377 | 112,499 | 42,338 | (16,255) | 185,959 |
| Royalties and other income | 55 | 5,457 | 4,463 | (716) | 9,259 |
| Operating income | 3,111 | 21,651 | 11,395 | (486) | 35,671 |
| Interest (income) expense, net | 13,085 | (6,997) | 4,801 | 37 | 10,926 |
| Income from equity investment | 24,122 | | | (24,122) | |
| Earnings before income taxes | 14,148 | 28,648 | 6,594 | (24,645) | 24,745 |
| Income taxes (benefit) | (3,572) | 9,268 | 1,853 | (183) | 7,366 |
| Net earnings | \$ 17,720 | \$ 19,380 | \$ 4,741 | \$(24,462) | \$ 17,379 |

Second Quarter of Fiscal 2007

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|--|---|----------------------------------|---|--------------------------------------|-------------------------------|
| Net sales | \$131,654 | \$124,995 | \$44,248 | \$ (9,910) | \$290,987 |
| Cost of goods sold | 101,326 | 60,456 | 19,102 | (1,697) | 179,187 |
| Gross profit | 30,328 | 64,539 | 25,146 | (8,213) | 111,800 |
| Selling, general and administrative | 27,049 | 55,899 | 19,903 | (12,177) | 90,674 |
| Royalties and other income | 44 | 2,580 | 1,835 | (565) | 3,894 |
| Operating income | 3,323 | 11,220 | 7,078 | 3,399 | 25,020 |
| Interest (income) expense, net | 3,556 | (2,912) | 2,027 | 3,280 | 5,951 |
| Income from equity investment | 12,125 | | | (12,125) | |
| Earnings before income taxes | 11,892 | 14,132 | 5,051 | (12,006) | 19,069 |
| Income taxes (benefit) | (178) | 5,608 | 1,451 | 43 | 6,924 |
| Earnings from continuing operations | 12,070 | 8,524 | 3,600 | (12,049) | 12,145 |
| Earnings (loss) from discontinued operations, net of tax | 8 | (28) | | 28 | 8 |

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| | | | | | |
|--------------|-----------|----------|----------|------------|-----------|
| Net earnings | \$ 12,078 | \$ 8,496 | \$ 3,600 | \$(12,021) | \$ 12,153 |
|--------------|-----------|----------|----------|------------|-----------|

First Six Months of Fiscal 2007

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|---|---|----------------------------------|---|--------------------------------------|-------------------------------|
| Net sales | \$267,524 | \$245,617 | \$82,901 | \$(20,977) | \$575,065 |
| Cost of goods sold | 207,311 | 115,042 | 37,706 | (4,905) | 355,154 |
| Gross profit | 60,213 | 130,575 | 45,195 | (16,072) | 219,911 |
| Selling, general and administrative | 53,914 | 109,379 | 38,101 | (22,727) | 178,667 |
| Royalties and other income | 44 | 4,075 | 3,309 | (642) | 6,786 |
| Operating income | 6,343 | 25,271 | 10,403 | 6,013 | 48,030 |
| Interest (income) expense, net | 7,396 | (5,755) | 3,939 | 5,863 | 11,443 |
| Income from equity investment | 24,049 | 3 | | (24,052) | |
| Earnings before income taxes | 22,996 | 31,029 | 6,464 | (23,902) | 36,587 |
| Income taxes (benefit) | (206) | 11,674 | 1,766 | 53 | 13,287 |
| Earnings from continuing operations | 23,202 | 19,355 | 4,698 | (23,955) | 23,300 |
| Earnings (loss) from discontinued operations, net of tax | (197) | (64) | | 64 | (197) |
| Net earnings | \$ 23,005 | \$ 19,291 | \$ 4,698 | \$(23,891) | \$ 23,103 |

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OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
First Six Months of Transition Period 2008

| | Oxford Industries (Parent) | Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Consolidated Total |
|--|---|----------------------------------|---|--------------------------------------|-------------------------------|
| Cash Flows From Operating Activities | | | | | |
| Net cash (used in) provided by operating activities | \$(11,836) | \$ 16,204 | \$ 2,210 | \$ | \$ 6,578 |
| Cash Flows from Investing Activities | | | | | |
| Acquisitions, net of cash acquired | (21,562) | | | | (21,562) |
| Investment in unconsolidated entity | | (324) | | | (324) |
| Purchases of property, plant and equipment | (282) | (14,843) | (1,285) | | (16,410) |
| Proceeds from sale of property, plant and equipment | | 2,349 | | | 2,349 |
| Net cash (used in) provided by investing activities | (21,844) | (12,818) | (1,285) | | (35,947) |
| Cash Flows from Financing Activities | | | | | |
| Change in debt | 77,500 | (7) | | | 77,493 |
| Repurchase of common stock | (60,000) | | | | (60,000) |
| Proceeds from issuance of common stock | 2,385 | | | | 2,385 |
| Change in inter-company payable | 8,622 | (3,503) | (5,119) | | |
| Dividends on common stock | (6,453) | | | | (6,453) |
| Net cash (used in) provided by financing activities | 22,054 | (3,510) | (5,119) | | 13,425 |
| Net change in Cash and Cash Equivalents | (11,626) | (124) | (4,194) | | (15,944) |
| Effect of foreign currency translation | | | 551 | | 551 |
| Cash and Cash Equivalents at the Beginning of Period | 22,863 | 1,212 | 12,807 | | 36,882 |
| Cash and Cash Equivalents at the End of Period | \$ 11,237 | \$ 1,088 | \$ 9,164 | \$ | \$ 21,489 |

First Six Months of Fiscal 2007

| | Oxford Industries | Subsidiary | Subsidiary Non- | Consolidating | Consolidated |
|--|------------------------------|-------------------|----------------------------|----------------------|---------------------|
|--|------------------------------|-------------------|----------------------------|----------------------|---------------------|

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| | (Parent) | Guarantors | Guarantors | Adjustments | Total |
|--|------------|------------|------------|-------------|------------|
| Cash Flows From Operating Activities | | | | | |
| Net cash (used in) provided by operating activities | \$(16,665) | \$ (813) | \$ 6,769 | \$ 11 | \$(10,698) |
| Cash Flows from Investing Activities | | | | | |
| Acquisitions, net of cash acquired | (12,111) | | | | (12,111) |
| Investment in unconsolidated entity | | (9,090) | | | (9,090) |
| Purchases of property, plant and equipment | (193) | (14,460) | (615) | | (15,268) |
| Proceeds from sale of property, plant and equipment | 16 | 16 | | | 32 |
| Net cash (used in) provided by investing activities | (12,288) | (23,534) | (615) | | (36,437) |
| Cash Flows from Financing Activities | | | | | |
| Change in debt | 16,888 | (8) | (30) | | 16,850 |
| Proceeds from issuance of common stock | 2,240 | | | | 2,240 |
| Change in inter-company payable | (8,615) | 13,274 | (4,659) | | (7,970) |
| Dividends on common stock | (7,970) | | | | (7,970) |
| Net cash (used in) provided by financing activities | 2,543 | 13,266 | (4,689) | | 11,120 |
| Cash Flows from Discontinued Operations | | | | | |
| Net operating cash flows provided by discontinued operations | 22,783 | 10,963 | | | 33,746 |
| Net change in Cash and Cash Equivalents | | | | | |
| Effect of foreign currency translation | (3,627) | (118) | 1,465 | 11 | (2,269) |
| Cash and Cash Equivalents at the Beginning of Period | 5,175 | 1,134 | 4,181 | (11) | 10,479 |
| Cash and Cash Equivalents at the End of Period | \$ 1,548 | \$ 1,016 | \$ 6,230 | \$ | \$ 8,794 |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements contained in this report and the consolidated financial statements, notes to consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our fiscal 2007 Form 10-K.

OVERVIEW

We generate revenues and cash flow through the design, sale, production and distribution of branded and private label consumer apparel and footwear for men, women and children and the licensing of company-owned trademarks. Our principal markets and customers are located in the United States and, to a lesser extent, the United Kingdom. We source substantially all of our products through third party producers in foreign countries. We distribute our products through our wholesale customers, which include chain stores, department stores, specialty stores, specialty catalog retailers, mass merchants and Internet retailers. We also operate retail stores, restaurants and e-commerce websites for some of our brands.

We operate in an industry that is highly competitive. We believe our ability to continuously evaluate and respond to changing consumer demands and tastes across multiple market segments, distribution channels and geographic regions is critical to our success. Although our approach is aimed at diversifying our risks, misjudging shifts in consumer preferences could have a negative effect on our future operating results. Other key aspects of competition include brand image, quality, distribution method, price, customer service and intellectual property protection. We believe our size and global operating strategies help us to compete successfully by providing opportunities for operating synergies. Our success in the future will depend on our ability to continue to design products that are acceptable to the markets we serve and to source our products on a competitive basis while still earning appropriate margins.

We are executing a strategy to move towards a business model that is more focused on brands owned or controlled by us. Our decision to follow this strategy is driven in part by the continued consolidation in the retail industry and the increasing concentration of apparel manufacturing in a relatively limited number of offshore markets, trends which make the private label business more competitively challenging. Significant steps in our execution of this strategy include our June 2003 acquisition of the Tommy Bahama® brand and operations; our July 2004 acquisition of the Ben Sherman® brand and operations; the divestiture of our private label Womenswear Group operations in June 2006; the closure of certain of our manufacturing facilities located in Latin America and the associated shifts in our Oxford Apparel and Lanier Clothes operating groups towards package purchases from third party manufacturers primarily in the Far East; and the acquisition of several other trademarks and related operations including Solitude® and Arnold Brant® and the acquisition of a two-thirds interest in the entity that owns the Hathaway® trademark in the United States and several other countries. In the future, we will continue to look for opportunities by which we can make further progress with this strategy, including through organic growth in our owned brands, the acquisition of additional brands, and further streamlining or disposing of portions of our business that do not have the potential to meet our operating income expectations.

Diluted net earnings from continuing operations per common share was \$0.71 in the second quarter of transition period 2008 and \$0.68 in the second quarter of fiscal 2007. The most significant factors impacting our results during these periods are discussed by operating group below:

Tommy Bahama experienced a \$0.4 million, or 3.0%, increase in operating income during the second quarter of transition period 2008. The increase in operating income in the second quarter was primarily due to increased sales as a result of additional retail stores and higher royalty income for the Tommy Bahama brand. The sales from additional retail stores and higher royalty income were partially offset by the continued softness in our key wholesale and retail markets and higher selling, general and administrative expenses associated with operating the additional retail stores.

Ben Sherman experienced a \$1.1 million, or 22.4%, increase in operating income during the second quarter of transition period 2008. The increase in operating income in the second quarter was primarily

due to higher royalty income for the Ben Sherman brand and increased sales at our own retail stores due to an increase in the number of stores. These increases were partially offset by a reduction in our wholesale operations as a result of our continuing efforts to restrict distribution of our Ben Sherman products in the United Kingdom and the United States and the termination of the Evisu denim distribution agreement in the United States.

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Lanier Clothes experienced a \$1.8 million, or 47.5%, decrease in operating income during the second quarter of transition period 2008. The decrease in operating income was primarily due to lower gross margins caused by weak demand in the moderate tailored clothing market, particularly in the chain and department store channels of distribution.

Oxford Apparel experienced a \$2.1 million, or 39.4%, increase in operating income during the second quarter of transition period 2008. The increase in operating income in the second quarter was primarily due to the earnings growth resulting from efforts to focus on key product categories, our exit from certain underperforming lines of business and improvements to the cost structure of the operating group.

Corporate and Other experienced a \$2.3 million, or 88.8%, increase in expenses due to the impact of LIFO accounting adjustments, the discontinuation of transition services fees related to the disposition of our Womenswear business and the closure of our internal trucking operation.

Our effective tax rate was 32.1% and 36.3% in the second quarter of transition period 2008 and fiscal 2007, respectively. The decrease in our effective tax rate for the second quarter of transition period 2008 was primarily due to the impact of the change in our assertion regarding our initial investment in a foreign subsidiary in the fourth quarter of fiscal 2007 and the impact of the short fiscal year (due to the change in our fiscal year) on our estimated taxable income.

Diluted net earnings from continuing operations per common share was \$0.98 in the first six months of transition period 2008 and \$1.31 in the first six months of fiscal 2007. The most significant factors impacting our results during these periods are discussed by operating group below:

Tommy Bahama experienced a \$3.4 million, or 11.0%, decrease in operating income during the first six months of transition period 2008. The decrease in operating income in the first six months of transition period 2008 was primarily due to certain wholesale customers deferring the shipment of certain products and the difficult retail environment in the first six months of transition period 2008 at our own retail stores and our customers' stores, particularly in Florida, California, Nevada and Arizona.

Ben Sherman experienced a \$0.1 million, or 1.8%, decrease in operating income during the first six months of transition period 2008. The decrease in operating income in the first six months of transition period 2008 was primarily due to a reduction in net sales in our wholesale operations as a result of our continuing efforts to restrict distribution of our Ben Sherman products in the United Kingdom and United States and the termination of the Evisu denim distribution agreement in the United States, partially offset by increased sales at our own retail stores due to an increase in the number of stores and higher royalty income in the first six months of transition period 2008.

Lanier Clothes experienced a \$4.0 million, or 63.6%, decrease in operating income during the first six months of transition period 2008. The decrease in operating income was primarily due to lower gross margins caused by weak demand in the moderate tailored clothing market, particularly in the chain and department store channels of distribution.

Oxford Apparel experienced a \$0.5 million, or 4.7%, decrease in operating income during the first six months of transition period 2008. The decrease in operating income in the first six months of transition period 2008 was primarily due to a decrease in net sales as we focused on key product categories and exited certain underperforming lines of business. We also incurred charges in this operating group totaling \$1.2 million during the first six months of transition period 2008 related to the disposal of our Tegucigalpa, Honduras manufacturing facility. These items were partially offset by a reduction in selling, general and administrative expenses from the lines that we exited and the benefit of a full six months of equity income from the unconsolidated entity that owns the Hathaway trademark which was acquired during the first quarter of fiscal 2007.

Corporate and Other experienced a \$4.4 million, or 62.0%, increase in expenses due to the impact of LIFO accounting adjustments, the discontinuation of transition services fees related to the disposition of our Womenswear business and the closure of our internal trucking operation.

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Our effective tax rate was 29.8% and 36.3% in the first six months of transition period 2008 and fiscal 2007, respectively. The decrease in our effective tax rate was a result of (1) a change in the enacted tax rate in the United Kingdom resulting in a decrease in deferred tax liabilities and income tax expense in the first quarter of transition period 2008, (2) the change in our assertion regarding our initial investment in a foreign subsidiary in the fourth quarter of fiscal 2007 and (3) the impact of the short fiscal year (due to the change in our fiscal year) on our estimated taxable income.

On October 31, 2007, our board of directors authorized the repurchase by us of up to \$60 million of our outstanding common stock, replacing our previously announced stock repurchase authorization. On November 8, 2007, we entered into an accelerated share repurchase agreement with Bank of America, N.A., an unrelated third party, under which we are repurchasing \$60 million of our common stock. The material terms of the agreement are as follows:

The agreement provides for a capped accelerated share repurchase pursuant to which we will purchase shares of our common stock from Bank of America for an aggregate purchase price of \$60 million.

On November 8, 2007, we made a payment of \$60 million to Bank of America in respect of the shares to be acquired under the agreement. We funded this payment from borrowings under our revolving credit facility.

Bank of America made an initial delivery to us of 1.6 million shares of our common stock on November 16, 2007, and an additional delivery to us of 0.3 million shares of our common stock on November 20, 2007, with these 1.9 million shares being the minimum number of shares of our common stock that we will receive.

The actual per share purchase price and the number of shares to be repurchased will be based on the volume weighted average price, or VWAP, of our common stock over a specified calculation period, beginning on November 20, 2007 and ending no earlier than March 19, 2008 and no later than May 19, 2008. The purchase price we will pay under the agreement will not exceed \$30.95556 per share.

At the end of the repurchase program, Bank of America will be required to deliver additional shares if the VWAP over the specified calculation period is below \$30.95556.

The agreement contains other terms and conditions governing the accelerated stock repurchase, including the circumstances under which Bank of America is permitted to terminate the program early or extend the repurchase period and the circumstances under which we may be required to purchase shares at a price in excess of the cap price or would receive shares representing less than \$60 million of the VWAP for our common stock during the calculation period.

The share repurchase did not have a significant impact on our results of operations in the second quarter of transition period 2008 as the benefit of the reduction in shares outstanding upon delivery of the shares was substantially offset by the interest expense on the \$60 million of borrowings we made under our revolving credit facility to fund our payment to Bank of America under the accelerated share repurchase agreement.

RESULTS OF OPERATIONS

The following table sets forth the line items in our consolidated statements of earnings both in dollars (in thousands) and the percentage change as compared to the comparable period in the prior year. Individual line items of our consolidated statements of earnings may not be directly comparable to those of our competitors, as statement of earnings classification of certain expenses may vary by company.

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| | Second Quarter | | | First Six Months | | |
|--|----------------|----------------|-------------------|------------------|----------------|-------------------|
| | Transition | | | Transition | | |
| | Period 2008 | Fiscal 2007 | Percent Change | Period 2008 | Fiscal 2007 | Percent Change |
| Net sales | \$294,486 | \$290,987 | 1.2% | \$532,433 | \$575,065 | (7.4%) |
| Cost of goods sold | 179,566 | 179,187 | 0.2% | 320,062 | 355,154 | (9.9%) |
| Gross profit | 114,920 | 111,800 | 2.8% | 212,371 | 219,911 | (3.4%) |
| Selling, general and administrative expenses | 94,706 | 89,124 | 6.3% | 183,567 | 175,570 | 4.6% |
| Amortization of intangible assets | 1,202 | 1,550 | (22.5%) | 2,392 | 3,097 | (22.8%) |
| Royalties and other operating income | 5,475 | 3,894 | 40.6% | 9,259 | 6,786 | 36.4% |
| Operating income | 24,487 | 25,020 | (2.1%) | 35,671 | 48,030 | (25.7%) |
| Interest expense, net | 5,930 | 5,951 | (0.4%) | 10,926 | 11,443 | (4.5%) |
| Earnings before income taxes | 18,557 | 19,069 | (2.7%) | 24,745 | 36,587 | (32.4%) |
| Income taxes | 5,954 | 6,924 | (14.0%) | 7,366 | 13,287 | (44.6%) |
| Net earnings from continuing operations | 12,603 | 12,145 | 3.8% | 17,379 | 23,300 | (25.4%) |
| Earnings (loss) from discontinued operations, net of taxes | | 8 | (100.0%) | | (197) | (100.0%) |
| Net earnings | \$ 12,603 | \$ 12,153 | 3.7% | \$ 17,379 | \$ 23,103 | (24.8%) |

The following table sets forth the line items in our consolidated statements of earnings as a percentage of net sales. We have calculated all percentages based on actual data, but columns may not add due to rounding.

| | Percent of Net Sales | | | |
|---|------------------------------|----------------|------------------------------|----------------|
| | Second Quarter | | First Six Months | |
| | Transition Period 2008 | Fiscal 2007 | Transition Period 2008 | Fiscal 2007 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 61.0% | 61.6% | 60.1% | 61.8% |
| Gross profit | 39.0% | 38.4% | 39.9% | 38.2% |
| Selling, general and administrative expenses | 32.2% | 30.6% | 34.5% | 30.5% |
| | 0.4% | 0.5% | 0.4% | 0.5% |

| | | | | |
|--|------|--------|------|------|
| Amortization of intangible assets, net | | | | |
| Royalties and other operating income | 1.9% | 1.3% | 1.7% | 1.2% |
| Operating income | 8.3% | 8.6% | 6.7% | 8.4% |
| Interest expense, net | 2.0% | 2.0% | 2.1% | 2.0% |
| Earnings before income taxes | 6.3% | 6.6% | 4.6% | 6.4% |
| Income taxes | 2.0% | 2.4% | 1.4% | 2.3% |
| Net earnings from continuing operations | 4.3% | 4.2% | 3.3% | 4.1% |
| Earnings (loss) from discontinued operations, net of taxes | 0.0% | (0.0%) | 0.0% | 0.0% |
| Net earnings | 4.3% | 4.2% | 3.3% | 4.0% |

Table of Contents**OPERATING GROUP DEFINITION**

Our business is operated through our four operating groups: Tommy Bahama, Ben Sherman, Lanier Clothes and Oxford Apparel. We identify our operating groups based on the way our management organizes the components of our business for purposes of allocating resources and assessing performance. In connection with the close of fiscal 2007 and due to changes in our management reporting structure, we reassessed and changed our operating groups for reporting purposes. All fiscal 2007 amounts below have been restated to reflect the revised operating groups. Leaders of the operating groups report directly to our Chief Executive Officer.

Tommy Bahama designs, sources and markets collections of men's and women's sportswear and related products under brands that include Tommy Bahama®, Indigo Palms® and Island Soft®. Tommy Bahama's products can be found in our own retail stores and on our e-commerce website as well as in certain department stores and independent specialty stores throughout the United States. The target consumers of Tommy Bahama are affluent 35 and older men and women who embrace a relaxed and casual approach to daily living. We also license the Tommy Bahama name for a wide variety of product categories.

Ben Sherman is a London-based designer, marketer and distributor of branded sportswear and footwear. We also license the Ben Sherman® name to third parties for various product categories. Ben Sherman was established in 1963 as an edgy, young men's, Mod-inspired shirt brand and has evolved into a global lifestyle brand of apparel and footwear targeted at youthful-thinking men and women ages 19 to 35. We offer a full Ben Sherman sportswear collection, as well as tailored clothing, footwear and accessories. Our Ben Sherman products can be found in certain department stores and a variety of independent specialty stores, as well as in our own Ben Sherman retail stores and on our e-commerce websites.

Lanier Clothes designs and markets branded and private label men's suits, sportcoats, suit separates and dress slacks across a wide range of price points. Our Lanier Clothes branded products include Nautica®, Kenneth Cole®, Dockers®, O Oscar and Geoffrey Beene®, all of which trademarks are licensed to us by third parties. In fiscal 2006, we acquired the Arnold Brant® brand, which is an upscale tailored brand that is intended to blend modern elements of style with affordable luxury. In addition to the branded businesses, we design and source certain private label tailored clothing products. Significant private label brands include Stafford®, Alfani®, Tasso Elba® and Lands' End®. Our Lanier Clothes products are sold to national chains, department stores, mass merchants, specialty stores, specialty catalog retailers and discount retailers throughout the United States.

Oxford Apparel produces branded and private label dress shirts, suited separates, sport shirts, casual slacks, outerwear, sweaters, jeans, swimwear, westernwear and golf apparel. We design and source certain private label programs for several customers, including programs for Lands' End, LL Bean and Eddie Bauer. Owned brands of Oxford Apparel include Oxford Golf®, Solitude®, Wedge®, Kona Wind, Tranquility Bay, FlyCattleman® and Cumberland Outfitters®. Oxford Apparel also owns a two-thirds interest in the entity that owns the Hathaway trademark in the United States and several other countries. Oxford Apparel also licenses from third parties the right to use the Tommy Hilfiger®, Dockers® and United States Polo Association® trademarks for certain apparel products. Our Oxford Apparel products are sold to a variety of department stores, mass merchants, specialty catalog retailers, discount retailers, specialty retailers, green grass golf merchants and Internet retailers throughout the United States.

Corporate and Other is a reconciling category for reporting purposes and includes our corporate offices, substantially all financing activities, LIFO inventory accounting adjustments and other costs that are not allocated to the operating groups. LIFO inventory calculations are made on a legal entity basis which does not correspond to our operating group definitions as portions of Lanier Clothes and Oxford Apparel are on the LIFO basis of accounting. Therefore, LIFO inventory accounting adjustments are not allocated to operating groups.

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The information below presents certain information about our operating groups (in thousands).

| | Second Quarter | | | First Six Months | | |
|------------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| | Transition | | | Transition | | |
| | Period 2008 | Fiscal 2007 | Percent Change | Period 2008 | Fiscal 2007 | Percent Change |
| Net Sales | | | | | | |
| Tommy Bahama | \$110,297 | \$107,807 | 2.3% | \$209,495 | \$211,955 | (1.2%) |
| Ben Sherman | 45,576 | 43,825 | 4.0% | 83,133 | 82,917 | 0.3% |
| Lanier Clothes | 51,189 | 51,121 | 0.1% | 86,770 | 91,803 | (5.5%) |
| Oxford Apparel | 87,091 | 88,121 | (1.2%) | 152,426 | 187,158 | (18.6%) |
| Corporate and Other | 333 | 113 | 194.7% | 609 | 1,232 | (50.6%) |
| Total Net Sales | \$294,486 | \$290,987 | 1.2% | \$532,433 | \$575,065 | (7.4%) |

| | Second Quarter | | | First Six Months | | |
|-------------------------------|-----------------|-----------------|-------------------|------------------|-----------------|-------------------|
| | Transition | | | Transition | | |
| | Period 2008 | Fiscal 2007 | Percent Change | Period 2008 | Fiscal 2007 | Percent Change |
| Operating Income | | | | | | |
| Tommy Bahama | \$14,347 | \$13,927 | 3.0% | \$27,371 | \$30,762 | (11.0%) |
| Ben Sherman | 5,801 | 4,741 | 22.4% | 6,543 | 6,661 | (1.8%) |
| Lanier Clothes | 1,955 | 3,721 | (47.5%) | 2,262 | 6,217 | (63.6%) |
| Oxford Apparel | 7,288 | 5,228 | 39.4% | 10,889 | 11,423 | (4.7%) |
| Corporate and Other | (4,904) | (2,597) | (88.8%) | (11,394) | (7,033) | (62.0%) |
| Total Operating Income | \$24,487 | \$25,020 | (2.1%) | \$35,671 | \$48,030 | (25.7%) |

For further information regarding our operating groups, see Note 4 to our unaudited condensed consolidated financial statements included in this report and Part I, Item 1. Business in our fiscal 2007 Form 10-K.

SECOND QUARTER OF TRANSITION PERIOD 2008 COMPARED TO SECOND QUARTER OF FISCAL 2007

The discussion below compares our operating results for the second quarter of transition period 2008 to the second quarter of fiscal 2007. Each percentage change provided below reflects the change between these periods unless indicated otherwise.

Net sales increased \$3.5 million, or 1.2%, in the second quarter of transition period 2008 as a result of the changes discussed below.

Tommy Bahama reported an increase in net sales of \$2.5 million, or 2.3%. The increase was primarily due to an increase in the average selling price per unit of 11.1%. This increase in the average selling price per unit resulted from an increase in the average selling price per unit in wholesale sales due primarily to fewer off price wholesale sales occurring in the second quarter of transition period 2008. The increase was also due to the increased ratio of Tommy Bahama retail sales as a percentage of total Tommy Bahama sales. The increase in retail sales was due to an increase in the total number of Tommy Bahama retail stores, excluding licensed stores, to 72 at November 30, 2007 from 63 at December 1, 2006 and the launch of Tommy Bahama's e-commerce site in the second quarter of transition period 2008.

These factors were partially offset by a decrease in unit sales of 8.6% due to the difficult retail environment which continued in the second quarter of transition period 2008 at our own retail stores and our wholesale customers' stores, particularly in Florida, California, Nevada and Arizona.

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Ben Sherman reported an increase in net sales of \$1.8 million, or 4.0%. The increase in net sales was primarily due to an increase in the average selling price per unit of 14.6%, resulting primarily from a 7.5% increase in the average exchange rate between the United States dollar and the British pound sterling and a larger percentage of total sales being retail sales rather than wholesale sales during the current period. We operated three additional full-price Ben Sherman retail stores at November 30, 2007 compared to December 1, 2006. The increase in average selling price per unit was partially offset by a decrease in unit sales of 9.3% primarily resulting from a unit sales decrease in the Ben Sherman U.K. wholesale business and the termination of the Evisu denim distribution agreement in the United States. The decline in the Ben Sherman U.K. operations was primarily due to our continuing efforts to restrict distribution of our Ben Sherman products and the increasingly difficult retail environment in the U.K.

Lanier Clothes reported an increase in net sales of less than \$0.1 million, or 0.1%. The increase was primarily due to an increase in unit sales of 9.3% which was partially offset by a decline in the average selling price per unit of 8.4%. The decrease in the average selling price per unit was primarily due to weak demand in the moderate tailored clothing market, particularly in the chain and department store channels of distribution.

Oxford Apparel reported a decrease in net sales of \$1.0 million, or 1.2%. The decrease was primarily due to a decrease in the average selling price per unit of 6.5% partially offset by an increase in unit sales of 5.7%. The decrease in net sales was anticipated in connection with the strategy we implemented in the latter part of fiscal 2007 to focus on key product categories, exit certain underperforming lines of business and make improvements to the cost structure. The sales from many of the lines that were exited were offset by sales growth in our continuing lines of business, particularly in our dress shirts business.

Gross profit increased 2.8% in the second quarter of transition period 2008. The increase was due to increased sales, as described above, and higher gross margins. Gross margins increased to 39.0% during the second quarter of transition period 2008 from 38.4% during the second quarter of fiscal 2007. The increase was primarily due to decreased wholesale sales and the increased proportion of branded and retail sales, which have higher gross margins.

Our gross profit may not be directly comparable to those of our competitors, as income statement classifications of certain expenses may vary by company.

Selling, general and administrative expenses, or SG&A, increased 6.3% in the second quarter of transition period 2008. SG&A was 32.2% of net sales in the second quarter of transition period 2008 compared to 30.6% in the second quarter of fiscal 2007. The increase in SG&A was primarily due to the expenses associated with operating additional Tommy Bahama and Ben Sherman retail stores.

Amortization of intangible assets decreased 22.5% in the second quarter of transition period 2008. The change was primarily due to certain intangible assets acquired as part of our previous acquisitions, which generally have a greater amount of amortization in the earlier periods following the acquisition than later periods. We expect that amortization expense will decrease in future periods unless we acquire additional intangible assets with definite lives.

Royalties and other operating income increased 40.6% in the second quarter of transition period 2008. The increase was primarily due to increased royalty income from the Tommy Bahama and Ben Sherman brands.

Operating income decreased 2.1% in the second quarter of transition period 2008 due to the changes discussed below.

Tommy Bahama reported a \$0.4 million, or 3.0%, increase in operating income in the second quarter of transition period 2008. The net increase was primarily due to increased sales, as discussed above, and an increase in royalty income partially offset by the higher SG&A associated with operating additional retail stores.

Ben Sherman reported a \$1.1 million, or 22.4%, increase in operating income in the second quarter of transition period 2008. The net increase was primarily due to changes in net sales discussed above and the increase in royalty income for the Ben Sherman brand.

Lanier Clothes reported a \$1.8 million, or 47.5%, decrease in operating income in the second quarter of transition period 2008. The net decrease was primarily due to lower gross margins caused by weak demand in the moderate tailored clothing market, particularly in the chain and department store channels of distribution.

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Oxford Apparel reported a \$2.1 million, or 39.4%, increase in operating income in the second quarter of transition period 2008. The net increase was primarily due to the earnings growth resulting from efforts to focus on key product categories, our exit from certain underperforming lines of business and improvements to the cost structure.

The Corporate and Other expenses increased 88.8% in the second quarter of transition period 2008. The increase in the operating loss was primarily due to the impact of LIFO accounting adjustments in the two periods, the discontinuation of the fees we had been receiving for providing corporate administrative services to the purchaser of the assets of the Womenswear Group pursuant to a transition services agreement and the closure of our internal trucking operation during the current quarter.

Interest expense, net decreased 0.4% in the second quarter of transition period 2008. The decrease in interest expense was primarily due to a lower average debt outstanding offset by higher interest rates during the second quarter of transition period 2008. We anticipate that interest expense in future quarters will increase compared to the current quarter due to the additional \$60 million in borrowings resulting from the accelerated share repurchase program.

Income taxes were at an effective tax rate of 32.1% for the second quarter of transition period 2008 as compared to 36.3% for the second quarter of fiscal 2007. The decrease in the effective rate was primarily due to the change, during the fourth quarter of fiscal 2007, in our assertion regarding our initial investment in a foreign subsidiary, which is now considered permanently reinvested, and the impact of the short fiscal year (due to the change in our fiscal year) on our estimated taxable income.

We believe our annual effective tax rate, before the impact of any discrete events, including but not limited to changes in enacted rates, the impact of a short fiscal year or resolution of contingency reserves during the year, is approximately 34.0% to 34.5%.

Discontinued operations in fiscal 2007 includes incidental items related to the operations of our Womenswear Group, which was disposed of on June 2, 2006.

FIRST SIX MONTHS OF TRANSITION PERIOD 2008 COMPARED TO FIRST SIX MONTHS OF FISCAL 2007

The discussion below compares our operating results for the first six months of transition period 2008 to the first six months of fiscal 2007. Each percentage change provided below reflects the change between these periods unless indicated otherwise.

Net sales decreased \$42.6 million, or 7.4%, in the first six months of transition period 2008 as a result of the changes discussed below.

Tommy Bahama reported a decrease in net sales of \$2.5 million, or 1.2%. The decrease was primarily due to a decrease in unit sales of 9.4% resulting from some larger wholesale customers deferring the receipt of certain shipments during transition period 2008, which we expect to continue in future periods, and the difficult retail environment in the first six months of transition period 2008 at our own retail stores and our wholesale customers stores, particularly in Florida, California, Nevada and Arizona.

These factors were partially offset by an increase in retail sales due to the total number of Tommy Bahama retail stores, excluding licensed stores, increasing to 72 at November 30, 2007 from 63 at December 1, 2006, the launch of the Tommy Bahama e-commerce site in the second quarter of transition period 2008 and an increase in the average selling price per unit of 7.6%. The increase in the average selling price per unit was primarily due to our sales of Tommy Bahama products at retail representing a larger portion of total Tommy Bahama sales in the first six months of transition period 2008 as well as an increase in the average selling price per unit at wholesale due to fewer off price sales occurring in the first six months of transition period 2008.

Ben Sherman reported an increase in net sales of \$0.2 million, or 0.3%. The increase in net sales was primarily due to an increase in the average selling price per unit of 10.3% resulting primarily from a 7.3% increase in the average exchange rate between the United States dollar and the British pound sterling and a larger percentage of total sales being retail sales rather than wholesale sales during the current period. The increase in average selling price per unit was partially offset by a decrease in unit sales of 9.1% primarily resulting from a unit sales decrease in the Ben Sherman wholesale businesses. The decline in the Ben Sherman wholesale operations was primarily due to our continuing efforts to restrict distribution of Ben Sherman products and decrease inventory levels at retail as well as the termination of the Evisu denim distribution agreement in the United States.

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Lanier Clothes reported a decrease in net sales of \$5.0 million, or 5.5%. The decrease was primarily due to a decline in the average selling price per unit of 9.7%, partially offset by a unit sales increase of 4.6%. The decrease in the average selling price per unit was primarily due to weak demand in the moderate tailored clothing market, particularly in the chain and department store channels of distribution.

Oxford Apparel reported a decrease in net sales of \$34.7 million, or 18.6%. The decrease was primarily due to a decrease in unit sales of 16.4% and a decrease in the average selling price per unit of 2.6%. The decreases in net sales and unit sales were anticipated in connection with the strategy we implemented in the latter part of fiscal 2007 to focus on key product categories and exit underperforming lines of business. This decline in net sales was more significant in the first quarter of transition period 2008 than the second quarter of transition period 2008.

Gross profit decreased 3.4% in the first six months of transition period 2008. The decrease was due to lower sales, as described above, partially offset by higher gross margins. Gross margins increased to 39.9% during the first six months of transition period 2008 from 38.2% during the first six months of fiscal 2007. The increase was primarily due to the increased proportion of Tommy Bahama and Ben Sherman retail sales, which have higher gross margins, and decreased sales in our wholesale businesses, particularly in the Oxford Apparel Group in the first quarter of transition period 2008.

Our gross profit may not be directly comparable to those of our competitors, as income statement classifications of certain expenses may vary by company.

SG&A increased 4.6% in the first six months of transition period 2008. SG&A was 34.5% of net sales in the first six months of transition period 2008 compared to 30.5% in the first six months of fiscal 2007. The increase in SG&A was primarily due to the expenses associated with operating additional Tommy Bahama and Ben Sherman retail stores. The increase as a percentage of net sales was due to the reduction in net sales for the first six months of transition period 2008 compared to the first six months of fiscal 2007 and the increase in total SG&A.

Amortization of intangible assets decreased 22.8% in the first six months of transition period 2008. The change was primarily due to certain intangible assets acquired as part of our previous acquisitions, which generally have a greater amount of amortization in the earlier periods following the acquisition than later periods. We expect that amortization expense will decrease in future years unless we acquire additional intangible assets with definite lives.

Royalties and other operating income increased 36.4% in the first six months of transition period 2008. The increase was primarily due to increased royalty income from the Tommy Bahama and Ben Sherman brands and our share of equity income received from an unconsolidated entity that owns the Hathaway trademark in the United States and several other countries, which we acquired in the first quarter of fiscal 2007.

Operating income decreased 25.7% in the first six months of transition period 2008 due to the changes discussed below.

Tommy Bahama reported a \$3.4 million, or 11.0%, decrease in operating income in the first six months of transition period 2008. The net decrease was primarily due to lower net sales, as discussed above, and higher SG&A due to the additional Tommy Bahama retail stores which we opened subsequent to December 1, 2006. This was partially offset by an increase in gross margin due to fewer off-price sales and an increase in royalty income.

Ben Sherman reported a \$0.1 million, or 1.8%, decrease in operating income in the first six months of transition period 2008. The net decrease was primarily due to the decrease in sales in the United States and United Kingdom wholesale businesses, as discussed above, partially offset by increased sales at our own retail locations and higher royalty income.

Lanier Clothes reported a \$4.0 million, or 63.6%, decrease in operating income in the first six months of transition period 2008. The net decrease was primarily due to lower gross margins caused by weak demand in the moderate tailored clothing market, particularly in the chain and department store channels of distribution.

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Oxford Apparel reported a \$0.5 million, or 4.7%, decrease in operating income in the first six months of transition period 2008. The net decrease was primarily due to reduced net sales, as discussed above. We also incurred charges totaling \$1.2 million during the first six months of transition period 2008 related to the disposal of our Tegucigalpa, Honduras manufacturing facility. These items were partially offset by reduced S,G&A expenses from lines of business that we exited and increased equity income from the unconsolidated entity that owns the Hathaway trademark, which we acquired in the first quarter of fiscal 2007.

The Corporate and Other expenses increased 62.0% in the first six months of transition period 2008. The increase in the operating loss was primarily due to the impact of LIFO accounting adjustments in the two periods, the discontinuation of the fees we had been receiving for providing corporate administrative services to the purchaser of the assets of the Womenswear Group pursuant to a transition services agreement and the closure of our internal trucking operation during the second quarter of transition period 2008.

Interest expense, net decreased 4.5% in the first six months of transition period 2008. The decrease in interest expense was primarily due to a lower average debt outstanding offset by higher interest rates during the first six months of transition period 2008.

Income taxes were at an effective tax rate of 29.8% for the first six months of transition period 2008 as compared to 36.3% for the first six months of fiscal 2007. The decrease in the effective rate reflects (1) the impact on our deferred tax balances as a result of a change in the enacted tax rate in the United Kingdom, (2) the change, during the fourth quarter of fiscal 2007, in our assertion regarding our initial investment in a foreign subsidiary, which is now considered permanently reinvested and (3) the impact of the short fiscal year (due to the change in our fiscal year) on our estimated taxable income.

We believe our annual effective tax rate, before the impact of any discrete events, including but not limited to changes in enacted rates, the impact of a short fiscal year or resolution of contingency reserves during the year, is approximately 34.0% to 34.5%.

Discontinued operations in fiscal 2007 includes incidental items related to the operations of our Womenswear Group, which was disposed of on June 2, 2006.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our primary source of revenue and cash flow is our operating activities in the United States and to some extent the United Kingdom. When cash inflows are less than cash outflows, we also have access to amounts under our U.S. Revolver and U.K. Revolver, subject to their terms, each of which are described below. We may seek to finance future capital investment programs through various methods, including, but not limited to, cash flow from operations, borrowings under our current or additional credit facilities and sales of debt or equity securities.

Our liquidity requirements arise from the funding of our working capital needs, which include inventory, other operating expenses and accounts receivable, funding of capital expenditures, payment of quarterly dividends, repayment of our indebtedness and acquisitions, if any. Generally, our product purchases are acquired through trade letters of credit which are drawn against our lines of credit at the time of shipment of the products and reduce the amounts available under our lines of credit when issued.

Cash and cash equivalents on hand was \$21.5 million at November 30, 2007 and \$8.8 million at December 1, 2006, respectively.

Operating Activities

During the first six months of transition period 2008, our continuing operations provided \$6.6 million of cash compared to using \$10.7 million of cash during the first six months of fiscal 2007. The operating cash flows were primarily the result of earnings from continuing operations for the period adjusted for non-cash activities such as depreciation and amortization and changes in our working capital accounts. In the first six months of transition period 2008, the significant changes in working capital included higher amounts of receivables and inventories partially offset by higher current liabilities and non-current liabilities, each as discussed below. In the first six months of fiscal 2007, the significant changes in working capital included significant increases in receivables and inventories and significant reductions in current liabilities.

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Our working capital ratio, which is calculated by dividing total current assets by total current liabilities, was 2.25:1, 2.35:1 and 2.67:1 at November 30, 2007, June 1, 2007 and December 1, 2006, respectively. The change in our working capital ratio between November 30, 2007 and December 1, 2006 was due to the 23.4% increase in current liabilities, partially offset by the 4.1% increase in current assets, as discussed below.

Receivables, net were \$164.6 million and \$166.7 million at November 30, 2007 and December 1, 2006, respectively, representing a decrease of 1.3%. The decrease was primarily due to the lower wholesale sales in the second quarter of transition period 2008. Days sales outstanding for our wholesale accounts receivable was 57 days and 59 days at November 30, 2007 and December 1, 2006, respectively.

Inventories were \$140.9 million and \$139.0 million at November 30, 2007 and December 1, 2006, respectively, an increase of 1.4%. Inventory for the Tommy Bahama operating group increased to support additional retail stores. Tommy Bahama inventory levels were also impacted by the deferral of certain shipments by some of our larger customers and the difficult retail environment during the first six months of transition period 2008. Inventory levels at Ben Sherman decreased due to reductions of excess inventory in our Ben Sherman U.S. wholesale business. Inventory for Lanier Clothes decreased slightly compared to December 1, 2006. Although we have made progress in reducing our inventory levels for Lanier Clothes since June 1, 2007, at November 30, 2007, we continue to have higher than optimal levels of inventory in our replenishment programs and seasonal inventories. We expect the inventory levels for Lanier Clothes to decrease to a more optimal level before the end of the second quarter of fiscal 2008. Inventory levels for Oxford Apparel were relatively consistent with the prior year. Our days supply of inventory on hand, using a FIFO basis, was 110 days and 99 days as of November 30, 2007 and December 1, 2006, respectively, due to the changes by operating group discussed above.

Prepaid expenses were \$20.7 million and \$19.6 million at November 30, 2007 and December 1, 2006, respectively. The increase in prepaid expenses was primarily due to the timing of payments for certain operating expenses, including marketing and advertising.

Current liabilities, excluding current liabilities related to discontinued operations, were \$154.4 million and \$119.6 million at November 30, 2007 and December 1, 2006, respectively, representing an increase of 29.0%. The increase in current liabilities was primarily due to the additional borrowing under the U.S. Revolver classified as current liabilities as of November 30, 2007 and the timing of the \$8.9 million interest payment on our Senior Unsecured Notes which occurred after the end of the second quarter of transition period 2008 but prior to the end of the second quarter in fiscal 2007.

Current liabilities related to discontinued operations were \$0.0 million and \$5.5 million at November 30, 2007 and December 1, 2006, respectively. The current liabilities related to discontinued operations at December 1, 2006 were paid during the third quarter of fiscal 2007.

Non-current deferred income taxes were \$71.2 million and \$81.1 million at November 30, 2007 and December 1, 2006, respectively. The change resulted primarily from the reclassification of approximately \$3.7 million from non-current deferred income taxes to other non-current liabilities as a result of the adoption of FIN 48 in the first quarter of transition period 2008 and the impact on our deferred tax balances as a result of a change in the enacted tax rate in the United Kingdom and changes in property, plant and equipment basis differences.

Other non-current liabilities, which primarily consist of deferred rent and deferred compensation amounts, were \$52.1 million and \$35.1 million at November 30, 2007 and December 1, 2006, respectively. The increase was primarily due to the recognition of additional deferred rent and deferred compensation during the twelve months subsequent to December 1, 2006 and the reclassification of approximately \$5.3 million to other non-current liabilities from income taxes payable and non-current deferred income taxes as a result of the adoption of FIN 48 in the first quarter of transition period 2008.

Investing Activities

During the first six months of transition period 2008, investing activities used \$35.9 million in cash. We paid approximately \$21.9 million related to acquisitions, primarily consisting of the final Tommy Bahama earn-out payments. Additionally, we incurred \$16.4 million of capital expenditures, primarily related to new Tommy Bahama retail stores.

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During the first six months of fiscal 2007, investing activities used \$36.4 million in cash. We paid approximately \$21.2 million related to acquisitions, consisting of the fiscal 2006 Tommy Bahama earn-out payment and the acquisition of an ownership interest in an unconsolidated entity that owns the Hathaway trademark in the United States and certain other countries. Additionally, we incurred capital expenditures of \$15.3 million, primarily related to new Tommy Bahama and Ben Sherman retail stores.

Non-current assets, including property, plant and equipment, goodwill, intangible assets and other non-current assets, increased primarily as a result of the fiscal 2007 earn-out related to the Tommy Bahama acquisition, capital expenditures for our retail stores and the impact of changes in foreign currency exchange rates. These increases were partially offset by depreciation related to our property, plant and equipment and amortization of our intangible assets.

Financing Activities

During the first six months of transition period 2008, financing activities provided \$13.4 million in cash. The cash flow used in our investing activities, cash paid related to our \$60 million accelerated share repurchase program and dividends on our common shares resulted in the need to borrow additional amounts under our U.S. Revolver during the first six months of transition period 2008. We also received \$2.4 million of cash from the exercise of employee stock options. We paid an aggregate of \$6.5 million during the first six months of transition period 2008 for dividends on our common shares declared for the first and second quarters of transition period 2008.

During the first six months of fiscal 2007, financing activities provided \$11.1 million in cash, primarily from additional borrowings, net of repayments, under our U.S. Revolver to fund our investments and working capital needs during the period. We also received \$2.2 million of cash from the exercise of employee stock options. These cash proceeds were partially offset by the use of cash to pay \$8.0 million of dividends on our common shares declared in the fourth quarter of fiscal 2006, the first quarter of fiscal 2007 and the second quarter of fiscal 2007.

On November 30, 2007, we paid a cash dividend of \$0.18 per share to shareholders of record as of November 15, 2007. That dividend is the 190th consecutive quarterly dividend we have paid since we became a public company in July 1960. We expect to pay dividends in future quarters. However, we may decide to discontinue or modify the dividend payment at any time if we determine that other uses of our capital, including, but not limited to, payment of debt outstanding, stock repurchases or funding of future acquisitions, may be in our best interest; if our expectations of future cash flows and future cash needs outweigh the ability to pay a dividend; or if the terms of our credit facilities or indentures limit our ability to pay dividends. We may borrow to fund dividends in the short term based on our expectations of operating cash flows in future periods. All cash flow from operations will not necessarily be paid out as dividends in all periods.

Debt, including short term debt, was \$277.3 million and \$217.1 million as of November 30, 2007 and December 1, 2006, respectively. The increase was primarily due to our \$60 million share repurchase program, as discussed above.

Cash Flows from Discontinued Operations

Our discontinued Womenswear Group generated cash flow of \$33.7 million during the first six months of fiscal 2007. The cash flows from discontinued operations for the first six months of fiscal 2007 reflects the realization and disposition of retained assets and liabilities after June 2, 2006, the date on which we disposed of our Womenswear Group operations. No cash flows were provided by or used by the Womenswear Group during the first six months of transition period 2008 and we do not anticipate significant cash flows from discontinued operations related to our Womenswear Group in future periods.

Liquidity and Capital Resources

The table below provides a description of our significant financing arrangements and the amounts outstanding under these financing arrangements (in thousands) at November 30, 2007, June 1, 2007 and December 1, 2006:

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| | November 30, 2007 | June 1, 2007 | December 1, 2006 |
|--|------------------------------|-------------------------|-----------------------------|
| \$280 million U.S. Secured Revolving Credit Facility (U.S. Revolver), which accrues interest (6.3% at November 30, 2007), unused line fees and letter of credit fees based upon a pricing grid which is tied to certain debt ratios, requires interest payments monthly with principal due at maturity (July 2009), and is collateralized by substantially all the assets of Oxford Industries, Inc. and our consolidated domestic subsidiaries(1) | \$ 77,500 | \$ | \$ 17,800 |
| £12 million Senior Secured Revolving Credit Facility (U.K. Revolver), which accrues interest at the bank's base rate plus 1.0%, requires interest payments monthly with principal payable on demand or at maturity (July 2008), and is collateralized by substantially all the United Kingdom assets of Ben Sherman | | | 75 |
| \$200 million Senior Unsecured Notes (Senior Unsecured Notes), which accrue interest at 8.875% (effective interest rate of 9.0%) and require interest payments semi-annually on June 1 and December 1 of each year, require payment of principal at maturity (June 2011), are subject to certain prepayment penalties and are guaranteed by our consolidated domestic subsidiaries | 200,000 | 200,000 | 200,000 |
| Unamortized discount on Senior Unsecured Notes | (616) | (706) | (795) |
| Other debt | 414 | 403 | 15 |
| Total debt | 277,298 | 199,697 | 217,095 |
| Short-term debt and current maturities of long-term debt | (32,914) | (403) | (90) |
| Long-term debt, less current maturities | \$244,384 | \$199,294 | \$217,005 |

(1) \$45.0 million and \$32.5 million of the amount outstanding under the U.S. Revolver are classified as long-term debt and current

maturities of long-term debt, respectively as of November 30, 2007. The amount classified as long-term debt represents the minimum amount we anticipate outstanding under the U.S. Revolver during the next twelve months.

Our U.S. Revolver and Senior Unsecured Notes each include certain debt covenant restrictions that require us or our subsidiaries to maintain certain financial ratios that we believe are customary for similar facilities. As of November 30, 2007, we were compliant with all financial covenants and restricted payment provisions related to our debt agreements.

Our U.S. Revolver also includes limitations on certain restricted payments, including payment of dividends. Pursuant to the U.S. Revolver agreement, subject to other limitations, we may pay dividends if our Total Debt to EBITDA ratio, as defined in the U.S. Revolver agreement, for the four preceding quarters would have been not more than 3.00:1.00 after giving effect to the dividend payment. Additionally, our Senior Unsecured Notes include limitations on the payment of dividends. Pursuant to the indenture governing our Senior Unsecured Notes, we may make certain Restricted Payments, as defined in the indenture, to the extent that the sum of the Restricted Payments do not exceed the allowable amount described in the indenture. Restricted Payments include the payment of dividends, the repurchase of our common shares, repayment of certain debt, the payment of amounts pursuant to earn-out agreements and certain investments. The allowable amount includes 50% of GAAP net income, as adjusted, cash proceeds from the issuance of shares of our common stock including stock options and restricted stock awards and certain other items. We were compliant with these limitations as of November 30, 2007 and do not anticipate that our U.S. Revolver or Senior Unsecured Notes will limit our ability to pay dividends during the twelve months subsequent to November 30, 2007.

Our U.S. Revolver and U.K. Revolver are used to finance trade letters of credit and standby letters of credit, as well as provide funding for other operating activities and acquisitions. As of November 30, 2007, approximately \$57.7 million of trade letters of credit and other limitations on availability were outstanding against our U.S. Revolver and the U.K. Revolver. The aggregate net availability under our U.S. Revolver and U.K. Revolver agreements was approximately \$169.7 million as of November 30, 2007 subject to the respective limitations on borrowings set forth in our U.S. Revolver, U.K. Revolver and the indenture for the Senior Unsecured Notes.

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Our Senior Unsecured Notes are subject to redemption at any time after June 1, 2007, at our option, in whole or in part, on not less than 30 nor more than 60 days prior notice. During the period from June 1, 2007 through May 31, 2008, the amount paid at redemption would be equal to 104.438% of the aggregate principal amount of the Senior Unsecured Notes to be redeemed together with accrued and unpaid interest, if any, to the date of redemption. During the period from June 1, 2008 through May 31, 2009, the amount paid at redemption would be equal to 102.219% of the aggregate principal amount of the Senior Unsecured Notes to be redeemed together with accrued and unpaid interest, if any, to the date of redemption. Subsequent to June 1, 2009, the amount paid at redemption would be equal to 100.000% of the aggregate principal amount of the Senior Unsecured Notes to be redeemed together with accrued and unpaid interest, if any, to the date of redemption.

Our debt to total capitalization ratio was 40%, 31% and 34% at November 30, 2007, June 1, 2007 and December 1, 2006, respectively. The change in this ratio from December 1, 2006 was primarily a result of our \$60 million share repurchase program discussed above, which we funded from borrowings under our U.S. Revolver. Our debt level, as well as the ratio of debt to total capitalization, in future years may not be comparable to historical amounts as we continuously assess and periodically make changes to our capital structure and may make additional acquisitions, investments or repurchases of shares in the future.

We anticipate that we will be able to satisfy our ongoing cash requirements, which generally consist of working capital needs, capital expenditures (primarily for the opening of retail stores) and interest payments on our debt during the twelve months subsequent to November 30, 2007, primarily from cash on hand and cash flow from operations supplemented by borrowings under our lines of credit, as necessary. Our need for working capital is typically seasonal with the greatest requirements generally existing from October through March as we build inventory for the spring/summer season. Our capital needs will depend on many factors, including our growth rate, the need to finance increased inventory levels and the success of our various products.

If appropriate investment opportunities arise that exceed the availability under our existing credit facilities, we believe that we will be able to fund such acquisitions through additional or refinanced debt facilities or the issuance of additional equity. However, during the period that our share repurchase program is active, we may not be able to issue additional equity. In addition, our ability to obtain additional borrowings or refinance our credit facilities will depend on many factors, including the prevailing market conditions, our financial condition and our ability to negotiate favorable terms and conditions. There is no assurance that financing would be available on terms that are acceptable or favorable to us, if at all. At maturity of our U.K. Revolver, U.S. Revolver and Senior Unsecured Notes, we anticipate that we will be able to refinance the facilities and debt with terms available in the market at that time.

Our contractual obligations as of November 30, 2007 have not changed significantly from the contractual obligations outstanding at June 1, 2007 other than changes in the amounts outstanding under the U.S. Revolver and U.K. Revolver, amounts outstanding pursuant to letters of credit (both as discussed above) and new leases entered into for additional retail stores, none of which occurred outside the ordinary course of business.

Our anticipated capital expenditures for the eight months of transition period 2008 are expected to be approximately \$25 million, including \$16.4 million incurred during the first six months of transition period 2008. These expenditures primarily relate to the continued expansion of our Tommy Bahama and Ben Sherman retail operations.

Off Balance Sheet Arrangements

We have not entered into agreements which meet the SEC's definition of an off balance sheet financing arrangement, other than operating leases, and have made no financial commitments to or guarantees with respect to any unconsolidated subsidiaries or special purpose entities.

Table of Contents**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. On a periodic basis, we evaluate our estimates, including those related to receivables, inventories, goodwill, intangible assets, income taxes, contingencies and other accrued expenses. We base our estimates on historical experience and on various other assumptions. Actual results may differ from these estimates under different assumptions or conditions. We believe that we have appropriately applied our critical accounting policies. However, in the event that inappropriate assumptions or methods were used relating to the critical accounting policies below, our consolidated statements of earnings could be misstated.

The detailed summary of significant accounting policies is included in Note 1 to our consolidated financial statements contained in our fiscal 2007 Form 10-K. The following is a brief discussion of the more significant accounting policies, estimates and methods we use.

Revenue Recognition and Accounts Receivable

Our revenue consists of wholesale, retail store and restaurant sales. We consider revenue realized or realizable and earned when the following criteria are met: (1) persuasive evidence of an agreement exists, (2) delivery has occurred, (3) our price to the buyer is fixed and determinable, and (4) collectibility is reasonably assured.

In the normal course of business we offer certain discounts or allowances to our wholesale customers. Wholesale operations sales are recorded net of such discounts, allowances, advertising support not specifically relating to the reimbursement for actual advertising expenses by our customers and provisions for estimated returns. As certain allowances and other deductions are not finalized until the end of a season, program or other event which may not have occurred yet, we estimate such discounts and allowances on an ongoing basis. Significant considerations in determining our estimates for discounts and allowances to wholesale customers include historical and current trends, projected seasonal results, an evaluation of current economic conditions and retailer performance. Actual discounts and allowances to our wholesale customers have not differed materially from our estimates in prior periods. As of November 30, 2007, our total reserves for discounts and allowances were approximately \$17.7 million, and therefore, a hypothetical change in our allowances of 10% would have a pre-tax impact of \$1.8 million on net earnings.

In circumstances where we become aware of a specific customer's inability to meet its financial obligations, a specific reserve for bad debts is taken as a reduction to accounts receivable to reduce the net recognized receivable to the amount reasonably expected to be collected. For all other customers, we recognize estimated reserves for bad debts and uncollectible chargebacks based on our historical collection experience, the financial condition of our customers, an evaluation of current economic conditions and anticipated trends, each of which are subjective and require certain assumptions. Actual charges for uncollectible amounts have not differed materially from our estimates in prior periods. As of November 30, 2007, our allowance for doubtful accounts was approximately \$2.2 million, and therefore, a change in our reserves of 10% would have a pre-tax impact of approximately \$0.2 million on net earnings.

Inventories

For operating group reporting, inventory is carried at the lower of FIFO cost or market. We continually evaluate the composition of our inventories for identification of distressed inventory. In performing this evaluation we consider slow-turning products, prior seasons fashion products and current levels of replenishment program products as compared to future sales estimates. For wholesale inventory, we estimate the amount of goods that we will not be able to sell in the normal course of business and write down the value of these goods as necessary. For retail inventory, we provide an allowance for shrinkage and goods expected to be sold below cost. As the amount to be ultimately realized for the goods is not necessarily known at period end, we must utilize certain assumptions considering historical experience, the age of the inventory, inventory quantity, quality and mix, historical sales trends, future sales projections, consumer and retailer preferences, market trends and general economic conditions.

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For consolidated financial reporting, approximately \$64.2 million of our inventories are valued at the lower of LIFO cost or market after deducting the \$39.7 million LIFO reserve as of November 30, 2007. Approximately \$76.7 million of our inventories are valued at the lower of FIFO cost or market as of November 30, 2007. LIFO inventory calculations are made on a legal entity basis which does not correspond to our operating group definitions, but generally our inventories valued at the lower of LIFO cost or market relate to our historical businesses included in the Lanier Clothes and Oxford Apparel groups and our inventories valued at the lower of FIFO cost or market relate to recently acquired businesses. LIFO inventory accounting adjustments are not allocated to the respective operating groups. LIFO reserves are based on the Producer Price Index as published by the United States Department of Labor. We write down inventories valued at the lower of LIFO cost or market when LIFO exceeds market value. The impact of accounting for inventories on the LIFO method is reflected in Corporate and Other for operating group reporting purposes included in Note 4 to our consolidated financial statements and in the results of operations in our Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report.

A change in the markdowns of our inventory valued at the lower of LIFO cost or market method would not be expected to have a material impact on our consolidated financial statements due to the existence of our LIFO reserve of \$39.7 million as of November 30, 2007. A hypothetical 10% change in the amount of markdowns for inventory valued on the lower of FIFO cost or market method would have a pre-tax impact of approximately \$0.2 million on net earnings.

Goodwill, net

Goodwill is recognized as the amount by which the cost to acquire a company or group of assets exceeds the fair value of assets acquired less any liabilities assumed at acquisition. Such goodwill is allocated to the respective reporting unit at the time of acquisition. Goodwill is not amortized but instead is evaluated for impairment annually or more frequently if events or circumstances indicate that the goodwill might be impaired. The evaluation of the recoverability of goodwill includes valuations of each applicable underlying business using fair value techniques and market comparables which may include a discounted cash flow analysis or an independent appraisal.

Significant estimates included in such a valuation include future cash flow projections of the business, which are based on our future expectations for the business. Additionally, the discount rate used in this analysis is an estimate of the risk-adjusted market-based cost of capital. If this analysis indicates an impairment of goodwill balances, the impairment is recognized in the consolidated financial statements. Such estimates of future operating results and discount rates involve significant uncertainty, and if our plans or anticipated results change, the impact on our financial statements could be significant.

Intangible Assets, net

At acquisition, we estimate and record the fair value of purchased intangible assets, which primarily consist of trademarks and trade names, license agreements and customer relationships. The fair values and useful lives of these intangible assets are estimated based on management's assessment as well as independent third party appraisals in some cases. Such valuation may include a discounted cash flow analysis of anticipated revenues or cost savings resulting from the acquired intangible asset using an estimate of a risk-adjusted market-based cost of capital as the discount rate.

Amortization of intangible assets with finite lives, which consist of license agreements, certain trademarks, customer relationships and covenants not to compete, is recognized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. We amortize our intangible assets with finite lives for periods of up to 20 years. The determination of an appropriate useful life for amortization is based on our plans for the intangible asset as well as factors outside of our control. Intangible assets with finite lives are reviewed for impairment periodically if events or changes in circumstances indicate that the carrying amount may not be recoverable. If expected future undiscounted cash flows from operations are less than their carrying amounts, an asset is determined to be impaired and a loss is recorded for the amount by which the carrying value of the asset exceeds its fair value. During fiscal 2007, we recognized approximately \$6.4 million of expense for the amortization of intangible assets. If the useful lives assigned to these intangible assets with finite lives had been reduced by 10% at acquisition, the amount of additional amortization expense would have been approximately \$0.6 million during fiscal 2007.

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Trademarks with indefinite lives are not amortized but instead evaluated for impairment annually or more frequently if events or circumstances indicate that the intangible asset might be impaired. The evaluation of the recoverability of trademarks with indefinite lives includes valuations based on a discounted cash flow analysis utilizing the relief from royalty method. This approach is dependent upon a number of uncertain factors including estimates of future net sales, growth rates, royalty rates for the trademarks and discount rates. Such estimates involve significant uncertainty, and if our plans or anticipated results change, the impact on our financial statements could be significant. If this analysis indicates an impairment of a trademark with an indefinite useful life, the amount of the impairment is recognized in the consolidated financial statements based on the amount that the carrying value exceeds the estimated fair value of the asset.

Income Taxes

Significant judgment is required in determining the provision for income taxes for a company with global operations. The ultimate tax outcome may be uncertain for many transactions. Our provisions are based on federal and projected state statutory rates and take into account our quarterly assessment of permanent book/tax differences, income tax credits and uncertain tax positions. We estimate the effective tax rate for the full fiscal year and record a quarterly income tax provision in accordance with the anticipated annual rate. As the fiscal year progresses, the estimate is refined based upon actual events and earnings by jurisdiction and to reflect changes in our judgment of the likely outcome of uncertain tax positions. This estimation process periodically results in a change to the expected effective tax rate for the fiscal year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual rate. Income tax expense may also be adjusted for discrete events occurring during the year, such as the enactment of tax rate changes or changes in reserves for uncertain tax positions, which are reflected in the quarter that the changes occur. In fiscal 2007, a 1% increase in the effective tax rate percentage would have impacted net earnings by less than \$1.0 million.

SEASONALITY

Although our various product lines are sold on a year-round basis, the demand for specific products or styles may be highly seasonal. For example, the demand for golf and Tommy Bahama products is higher in the spring and summer seasons. Products are sold prior to each of the retail selling seasons, including spring, summer, fall and holiday. As the timing of product shipments and other events affecting the retail business may vary, results for any particular quarter may not be indicative of results for the full year. The percentage of our net sales by quarter for fiscal 2007 was 25%, 26%, 24% and 25%, respectively, and the percentage of our operating income by quarter for fiscal 2007 was 23%, 25%, 19% and 33%, respectively, which may not be indicative of the distribution in future years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Trade Policy Risk**

Under the terms of China's World Trade Organization (WTO) accession agreement, the United States and other WTO members may impose additional duties or quantitative import restrictions (quotas) on specific products and specific categories of products from China under certain circumstances. Any such additional duties or quota could cause disruption in our supply chain or adversely impact our business by increasing our cost of goods sold. During fiscal 2007, we sourced approximately 40% of our product purchases from China.

We benefit from duty-free treatment under international trade agreements and regulations such as the North American Free Trade Agreement and the Andean Trade Preference and Drug Eradication Act. The elimination of such treatment or our inability to qualify for such benefits would adversely impact our business by increasing our cost of goods sold.

Furthermore, under long-standing statutory authority applicable to imported goods in general, the United States may unilaterally impose additional duties: (i) when imported merchandise is sold at less than fair value and causes material injury, or threatens to cause material injury, to the domestic industry producing a comparable product (generally known as anti-dumping duties); or (ii) when foreign producers receive certain types of governmental subsidies, and when the importation of their subsidized goods causes material injury, or threatens to cause material injury, to the domestic industry producing a comparable product (generally known as countervailing duties). The imposition of anti-dumping or countervailing duties on products we import would increase the cost of those products to us. We may not be able to pass on any such cost increase to our customers.

Table of Contents**Interest Rate Risk**

We are exposed to market risk from changes in interest rates on our indebtedness, which could impact our financial condition and results of operations in future periods. Our objective is to limit the impact of interest rate changes on earnings and cash flow, primarily through a mix of fixed and variable rate debt. This assessment also considers our need for flexibility in our borrowing arrangements resulting from the seasonality of our business, among other factors. We continuously monitor interest rates to consider the sources and terms of our borrowing facilities in order to determine whether we have achieved our interest rate management objectives.

As of November 30, 2007, we had approximately \$77.9 million of debt outstanding subject to variable interest rates. Our average variable rate borrowings for the first six months of transition period 2008 were \$8.1 million, with an average interest rate of 6.8% during the period. Our lines of credit are based on variable interest rates in order to provide the necessary borrowing flexibility we require. To the extent that the amounts outstanding under our variable rate lines of credit change, our exposure to changes in interest rates would also change. If our average interest rate for the first six months of transition period 2008 increased by 100 basis points, our interest expense would have been approximately \$0.1 million higher during the first six months of transition period 2008. Interest expense for the first six months of transition period 2008 may not be indicative of interest expense in future years, particularly if we acquire additional businesses or change our capital structure.

As of November 30, 2007, we had approximately \$200 million of fixed rate debt and capital lease obligations outstanding with substantially all the debt, consisting of our Senior Unsecured Notes, having an effective interest rate of 9.0% and maturing in June 2011. Such agreements may result in higher interest expense than could be obtained under variable interest rate arrangements in certain periods, but are primarily intended to provide long-term financing of our capital structure and minimize our exposure to increases in interest rates. A change in the market interest rate impacts the fair value of our fixed rate debt but has no impact on interest incurred or cash flows.

None of our debt was entered into for speculative purposes. We generally do not engage in hedging activities with respect to our interest rate risk and do not enter into such transactions on a speculative basis.

Foreign Currency Risk

To the extent that we have assets and liabilities, as well as operations, denominated in foreign currencies that are not hedged, we are subject to foreign currency transaction and translation gains and losses. We view our foreign investments as long-term and as a result we generally do not hedge such foreign investments. We do not hold or issue any derivative financial instruments related to foreign currency exposure for speculative purposes.

We receive United States dollars for most of our product sales. Less than 15% of our net sales during fiscal 2007 were denominated in currencies other than the United States dollar. These sales primarily relate to Ben Sherman sales in the United Kingdom and Europe. With the United States dollar trading at a weaker position than it has historically traded versus the pound sterling and the Canadian dollar, a strengthening United States dollar could result in lower levels of sales and earnings in our consolidated statements of earnings in future periods, although the sales in foreign currencies could be equal to or greater than amounts as previously reported. Based on our fiscal 2007 sales denominated in foreign currencies, if the dollar had strengthened by 5% in fiscal 2007, we would have experienced a decrease in sales of approximately \$6.0 million.

Substantially all of our inventory purchases from contract manufacturers throughout the world are denominated in United States dollars. Purchase prices for our products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturers, which may have the effect of increasing our cost of goods sold in the future. Due to the number of currencies involved and the fact that not all foreign currencies react in the same manner against the United States dollar, we cannot quantify in any meaningful way the potential effect of such fluctuations on future costs. However, we do not believe that exchange rate fluctuations will have a material impact on our inventory costs in future periods.

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We may from time to time purchase short-term foreign currency forward exchange contracts to hedge against changes in foreign currency exchange rates. During fiscal 2007, foreign currency forward exchange contracts outstanding did not exceed \$30 million at any time. When such contracts are outstanding, the contracts are marked to market with the offset being recognized in our consolidated statement of earnings or other comprehensive income if the transaction does not or does, respectively, qualify as a hedge in accordance with accounting principles generally accepted in the United States. As of November 30, 2007, such contracts which had not been settled totaled approximately \$3.0 million, all with settlement dates within the next twelve months. The impact of these contracts on our consolidated financial statements was not material as of November 30, 2007.

Commodity and Inflation Risk

We are affected by inflation and changing prices primarily through the purchase of raw materials and finished goods and increased operating costs to the extent that any such fluctuations are not reflected by adjustments in the selling prices of our products. Also, in recent years, there has been deflationary pressure on selling prices, particularly in our private label businesses. While we have been successful to some extent in offsetting such deflationary pressures through product improvements and lower costs, if deflationary price trends outpace our ability to obtain further price reductions, our profitability may be adversely affected. Inflation/deflation risks are managed by each operating group through selective price increases when possible, productivity improvements and cost containment initiatives. We do not enter into significant long-term sales or purchase contracts and we do not engage in hedging activities with respect to such risk.

ITEM 4. CONTROLS AND PROCEDURES

Our Principal Executive Officer and Principal Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act) during the second quarter of transition period 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we may become subject to litigation or claims. We are not currently a party to any litigation or regulatory action that we believe could reasonably be expected to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

We believe that an investor should carefully consider the factors discussed in Part I. Item 1A. Risk Factors in our fiscal 2007 Form 10-K, which are not the only risks facing our company. There have been no material changes to the risk factors described in our fiscal 2007 Form 10-K. If any of the risks described in our Form 10-K, or other risks or uncertainties not currently known to us or that we currently deem to be immaterial, actually occur, our business, financial condition or operating results could suffer.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) During the second quarter of transition period 2008, we did not make any unregistered sales of our securities.

(c) The table below summarizes our stock repurchases during the second quarter of transition period 2008.

| Fiscal Month | Total Number of Shares Purchased (1) | Average Price Paid per Share (1) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs (1) |
|-----------------------------|---|---|---|---|
| September (9/1/07-9/28/07) | | | | |
| October (9/29/07-11/2/07) | | | | |
| November (11/3/07-11/30/07) | 1,938,261 | \$30.95556 | 1,938,261 | |
| Total | 1,938,261 | \$30.95556 | 1,938,261 | (2) |

(1) On October 31, 2007, our board of directors authorized the repurchase by us of up to \$60 million of our outstanding common stock, replacing our previously announced stock repurchase authorization. All of our stock repurchases during the second quarter of transition period 2008 were made pursuant to a

\$60 million capped accelerated share repurchase agreement with Bank of America, N.A., which was publicly announced on November 8, 2007. The material terms of the agreement are described above under the caption

Overview in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, which description is incorporated into this Item 2 by reference. Except in limited circumstances, we will not be required to reissue any of the acquired shares to Bank of America pursuant to the accelerated share repurchase agreement.

- (2) The number of shares delivered to us during the second quarter of transition

period 2008 was based on the maximum price per share payable by us pursuant to the accelerated share repurchase agreement with Bank of America, representing 120% of the volume weighted average price (VWAP) of our common stock during the period commencing November 8, 2007 and ending November 19, 2007. At the end of the repurchase program, which is expected to occur no earlier than March 19, 2008 and no later than May 19, 2008, Bank of America may be required to deliver additional shares to us if the VWAP over the specified calculation period, beginning on November 20, 2007 and ending concurrently with the end of the repurchase program, is less

than \$30.95556.
At this time, the maximum number of shares that may yet be acquired under the accelerated share repurchase program is not determinable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of shareholders was held on October 9, 2007. A total of 16,536,024 of our shares were represented in person or by proxy at the meeting. This represented 92.55% of our 17,867,780 shares issued and outstanding as of the record date and entitled to vote at such meeting. At the annual meeting of shareholders:

- a. The shareholders elected each of George C. Guynn, James A. Rubright, Helen B. Weeks and E. Jenner Wood III as a Class III director to hold office until the annual meeting of shareholders held in 2010 and until his or her successor is elected and qualified. The vote tabulation for individual directors was as follows:

| Director | For ⁽¹⁾ | Against ⁽¹⁾ | Abstain ⁽¹⁾ |
|--------------------|--------------------|------------------------|------------------------|
| George C. Guynn | 16,424,856 | 0 | 111,168 |
| James A. Rubright | 16,424,856 | 0 | 111,168 |
| Helen B. Weeks | 16,414,843 | 2 | 121,179 |
| E. Jenner Wood III | 16,150,131 | 0 | 385,893 |

(1) Due to a processing error, shareholders holding shares of our common stock in street name were provided with proxy cards that only allowed shareholders to vote their shares for a particular director or to withhold their shares from voting on a particular director. Based on the number of shares withheld, neither we nor

the Inspector of
Elections at the
shareholders
meeting deemed
the error to be
material to the
vote on
directors.

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In addition to the Class III Directors noted above, Cecil D. Conlee, J. Reese Lanier, Sr. and Robert E. Shaw will continue as Class I Directors who will hold office until our annual meeting of shareholders in 2008 and until their respective successors are elected and qualified and J. Hicks Lanier and Clarence H. Smith will continue as Class II Directors who will hold office until our annual meeting of shareholders in 2009 and until their respective successors are elected and qualified.

- b. The shareholders approved the ratification of Ernst & Young, LLP as our independent auditors. The vote tabulation on the proposal was as follows:

| Proposal | For | Against | Abstain | Broker Non-Vote |
|--------------------------------------|------------|---------|---------|--------------------|
| Ratification of Independent Auditors | 16,508,645 | 13,321 | 14,058 | N/A |

The text of the above proposal is incorporated by reference to Proposal 2 of our definitive proxy statement, dated September 4, 2007, filed with the SEC on September 6, 2007.

ITEM 5. OTHER INFORMATION

On October 8, 2007, our board of directors approved a change to our fiscal year end. In connection with the change in fiscal year end, on January 7, 2008, our board of directors fixed the record date and meeting date for our 2008 annual meeting of shareholders as April 15, 2008 and June 16, 2008, respectively.

ITEM 6. EXHIBITS

- 3(a) Restated Articles of Incorporation of Oxford Industries, Inc. Incorporated by reference to Exhibit 3.1 to the Oxford Industries, Inc. Form 10-Q for the fiscal quarter ended August 29, 2003.
- 3(b) Bylaws of Oxford Industries, Inc., as amended. Incorporated by reference to Exhibit 3.1 to the Oxford Industries, Inc. Form 8-K filed on October 12, 2007.
- 10.1 Fourth Amendment and Consent to Amended and Restated Credit Agreement. Incorporated by reference to Exhibit 10.1 to the Oxford Industries, Inc. Form 8-K filed on October 12, 2007.
- 10.2 First Amendment to the Oxford Industries, Inc. Executive Performance Incentive Plan.*+
- 10.3 Letter Agreement, dated November 8, 2007, between Oxford Industries, Inc. and Bank of America, N.A. relating to an Issuer Forward Repurchase Transaction.*
- 10.4 Amendment, dated November 9, 2007, between Oxford Industries, Inc. and Bank of America, N.A. to Letter Agreement relating to an Issuer Forward Repurchase Transaction.*
- 10.5 Employment Offer Letter to Knowlton J. O Reilly.*+
- 31.1 Section 302 Certification by Principal Executive Officer.*
- 31.2 Section 302 Certification by Principal Financial Officer.*
- 32 Section 906 Certification by Principal Executive Officer and Principal Financial Officer.*

* Filed herewith.

+ Exhibit is a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

January 9, 2008

OXFORD INDUSTRIES, INC.

(Registrant)

/s/ Thomas Caldecot Chubb III

Thomas Caldecot Chubb III
Executive Vice President
(Authorized Signatory and Principal Financial Officer)

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