OXFORD INDUSTRIES INC
Form 10-Q
October 10, 2007

Table of Contents

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

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

For the quarterly period ended AUGUST 31, 2007

or

o **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 þ No o

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 þ Accelerated filer o Non-accelerated filer o

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

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 October 5, 2007
Common Stock, $1 par value	17,892,252

OXFORD INDUSTRIES, INC.
INDEX TO FORM 10-Q
For the first quarter of Transition Period 2008

Table of Contents

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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 (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 demand for our products, expected pricing levels, raw material costs, the timing and cost of planned capital expenditures, expected outcomes of pending litigation and regulatory actions, competitive conditions, general economic conditions and expected synergies in connection with acquisitions and joint ventures. 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 and SEC mean the Financial Accounting Standards Board, Statement of Financial Accounting Standards and the U.S. Securities and Exchange Commission, respectively.

CHANGE IN FISCAL YEAR

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 shall end at the end of the Saturday closest to January 31 and shall, in each case, begin at the beginning of the day next succeeding the last day of the preceding fiscal year. Accordingly, there will be a transition period from June 2, 2007 through February 2, 2008. We will file a Form 10-Q for the quarter ending August 31, 2007, a Form 10-Q for the quarter ending November 30, 2007 and a 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:

Transition period 2008	35 weeks ending February 2, 2008
Fiscal 2007	52 weeks ended June 1, 2007
Fiscal 2006	52 weeks ended June 2, 2006
Third quarter of transition period 2008	9 weeks ending February 2, 2008
Second quarter of transition period 2008	13 weeks ending November 30, 2007
First quarter of transition period 2008	13 weeks ended August 31, 2007
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

Table of Contents

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)

	First Quarter	
	Transition Period 2008	Fiscal 2007
Net sales	$237,947	$284,078
Cost of goods sold	140,496	175,967
Gross profit	97,451	108,111
Selling, general and administrative expenses	88,861	86,446
Amortization of intangible assets	1,190	1,547
	90,051	87,993
Royalties and other operating income	3,784	2,892
Operating income	11,184	23,010
Interest expense, net	4,996	5,492
Earnings before income taxes	6,188	17,518
Income taxes	1,412	6,363
Net earnings from continuing operations	4,776	11,155
Earnings (loss) from discontinued operations, net of taxes		(205)
Net earnings	$ 4,776	$ 10,950
Net earnings from continuing operations per common share:		
Basic	$ 0.27	$ 0.63
Diluted	$ 0.27	$ 0.63
Earnings (loss) from discontinued operations per common share:		
Basic	$ 0.00	$ (0.01)
Diluted	$ 0.00	$ (0.01)
Net earnings per common share:		
Basic	$ 0.27	$ 0.62
Diluted	$ 0.27	$ 0.62
Weighted average common shares outstanding:		
Basic	17,782	17,594
Dilutive impact of options and restricted shares	158	184
Diluted	17,940	17,778

Dividends per common share	$ 0.18	$ 0.15

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except par amounts)

	August 31, 2007	June 1, 2007	September 1, 2006
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 15,737	$ 36,882	$ 10,742
Receivables, net	123,020	138,035	157,592
Inventories	155,135	137,333	139,444
Prepaid expenses	22,550	21,991	23,857
Current assets related to discontinued operations, net			18,132
Total current assets	316,442	334,241	349,767
Property, plant and equipment, net	89,058	87,323	73,527
Goodwill, net	223,474	222,430	200,228
Intangible assets, net	234,835	234,081	234,390
Other non-current assets, net	29,833	30,663	27,896
Total Assets	$893,642	$908,738	$885,808
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities:			
Trade accounts payable and other accrued expenses	$ 90,402	$ 84,385	$102,428
Accrued compensation	14,592	26,254	16,367
Additional acquisition cost payable	320	22,575	
Income taxes payable	1,671	8,827	8,468
Short-term debt and current maturities of long-term debt	407	403	122
Current liabilities related to discontinued operations			11,488
Total current liabilities	107,392	142,444	138,873
Long-term debt, less current maturities	209,139	199,294	226,864
Other non-current liabilities	49,522	40,947	32,433
Non-current deferred income taxes	71,288	75,108	78,404
Commitments and contingencies			
Shareholders Equity:			
Preferred stock, $1.00 par value; 30,000 authorized and none issued and outstanding at August 31, 2007; June 1, 2007; and September 1, 2007			
Common stock, $1.00 par value; 60,000 authorized and 17,872 issued and outstanding at August 31, 2007; 17,843 issued and outstanding at June 1, 2007; and 17,723 issued and outstanding at September 1, 2006	17,872	17,843	17,723
Additional paid-in capital	82,829	81,611	76,461

Retained earnings	343,019	341,369	309,261
Accumulated other comprehensive income (loss)	12,581	10,122	5,789
Total shareholders equity	456,301	450,945	409,234
Total Liabilities and Shareholders Equity	$893,642	$908,738	$885,808

See accompanying notes.

Table of Contents

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

	First Quarter	
	Transition Period 2008	Fiscal 2007
Cash Flows From Operating Activities:		
Net earnings from continuing operations	$ 4,776	$ 11,155
Adjustments to reconcile earnings from continuing operations to net cash provided by (used in) operating activities:		
Depreciation	4,257	3,747
Amortization of intangible assets	1,190	1,547
Amortization of deferred financing costs and bond discount	617	617
Stock compensation expense	641	840
Loss on sale of property, plant and equipment and impairment loss	893	18
Equity loss (income) from unconsolidated entities	(392)	(97)
Deferred income taxes	(901)	(47)
Changes in working capital:		
Receivables	15,487	(12,973)
Inventories	(17,513)	(15,614)
Prepaid expenses	(750)	(4,132)
Current liabilities	(11,513)	(7,975)
Other non-current assets	654	1,356
Other non-current liabilities	2,500	2,440
Net cash provided by (used in) operating activities	(54)	(19,118)
Cash Flows From Investing Activities:		
Acquisitions, net of cash acquired	(21,562)	(12,111)
Investment in unconsolidated entity	(162)	(9,063)
Purchases of property, plant and equipment	(6,896)	(3,556)
Proceeds from sale of property, plant and equipment	122	
Net cash provided by (used in) investing activities	(28,498)	(24,730)
Cash Flows From Financing Activities:		
Repayment of financing arrangements	(3,683)	(27,048)
Proceeds from financing arrangements	13,479	53,835
Proceeds from issuance of common stock including tax benefits	604	886
Dividends on common stock	(3,216)	(5,304)
Net cash provided by (used in) financing activities	7,184	22,369
Cash Flows From Discontinued Operations:		
Net operating cash flows provided by (used in) discontinued operations		21,650
Net cash provided by (used in) discontinued operations		21,650
Net change in cash and cash equivalents	(21,368)	171

Effect of foreign currency translation on cash and cash equivalents	223	92
Cash and cash equivalents at the beginning of period	36,882	10,479
Cash and cash equivalents at the end of period	$ 15,737	$ 10,742
Supplemental disclosure of cash flow information:		
Cash paid for interest, net	$ 456	$ 801
Cash paid for income taxes	$ 7,408	$ 6,959

See accompanying notes.

Table of Contents

OXFORD INDUSTRIES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FIRST 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 and critical 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 in our statement of cash flows. FIN 48 also requires expanded disclosure requirements, which are included in Note 5 below.

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.

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.

Table of Contents

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

	August 31, 2007	June 1, 2007	September 1, 2006
Finished goods	$159,681	$139,087	$ 136,688
Work in process	12,605	12,031	12,381
Fabric, trim and supplies	22,132	25,498	28,329
LIFO reserve	(39,283)	(39,283)	(37,954)
Total	$155,135	$137,333	$ 139,444

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

	First Quarter	
	Transition Period 2008	Fiscal 2007
Net earnings	$4,776	$10,950
Gain (loss) on foreign currency translation, net of tax	2,459	519
Comprehensive income	$7,235	$11,469

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 Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations included in this report and Item 1. Business in our fiscal 2007 Form 10-K.

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

	First Quarter	
	Transition Period 2008	Fiscal 2007
Net Sales		
Tommy Bahama	$ 99,198	$104,148
Ben Sherman	37,557	39,092
Lanier Clothes	35,581	40,682
Oxford Apparel	65,335	99,037
Corporate and Other	276	1,119

Total	$237,947	$284,078
Depreciation		
Tommy Bahama	$ 3,118	$ 2,672
Ben Sherman	616	457
Lanier Clothes	203	224
Oxford Apparel	260	293
Corporate and Other	60	101
Total	$ 4,257	$ 3,747

Table of Contents

	First Quarter Transition Period 2008	First Quarter Fiscal 2007
Amortization of Intangible Assets		
Tommy Bahama	$ 542	$ 744
Ben Sherman	577	794
Lanier Clothes	30	
Oxford Apparel	32	
Corporate and Other	9	9
Total	$ 1,190	$ 1,547
Operating Income		
Tommy Bahama	$13,067	$16,835
Ben Sherman	742	1,920
Lanier Clothes	307	2,496
Oxford Apparel	3,601	6,195
Corporate and Other	(6,533)	(4,436)
Total Operating Income	$11,184	$23,010
Interest Expense, net	4,996	5,492
Earnings Before Income Taxes	$ 6,188	$17,518

	August 31, 2007	June 1, 2007	September 1, 2006
Assets			
Tommy Bahama	$461,924	$469,414	$426,577
Ben Sherman	227,841	223,779	219,097
Lanier Clothes	98,730	95,184	85,976
Oxford Apparel	102,784	96,627	134,284
Corporate and Other	2,363	23,734	1,742
Womenswear Group (discontinued)			18,132
Total	$893,642	$908,738	$885,808

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 have accrued $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. 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 quarter of transition period 2008.

Table of Contents

6. **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. Non-guarantors consist of our subsidiaries which are organized outside of the United States and any subsidiaries which are not wholly-owned. 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 August 31, 2007, June 1, 2007, and September 1, 2006, our unaudited condensed consolidating statements of earnings for the first quarter of transition period 2008 and fiscal 2007 and our unaudited condensed consolidating statements of cash flows for the first quarter of transition period 2008 and fiscal 2007 (in thousands).

OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS
August 31, 2007

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 3,375	$ 861	$ 11,501	$	$ 15,737
Receivables, net	53,657	42,964	34,201	(7,802)	123,020
Inventories	77,670	60,313	18,551	(1,399)	155,135
Prepaid expenses	9,405	9,198	3,947		22,550
Total current assets	144,107	113,336	68,200	(9,201)	316,422
Property, plant and equipment, net	8,082	71,970	9,006		89,058
Goodwill, net	1,847	168,932	52,695		223,474
Intangible assets, net	1,305	135,799	97,731		234,835
Other non-current assets, net	778,868	150,594	1,354	(900,983)	29,833
Total Assets	$934,209	$ 640,631	$228,986	$(910,184)	$893,642
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities	$ 33,967	$ 51,031	$ 29,845	$ (7,451)	$107,392
Long-term debt, less current portion	209,139				209,139
Non-current liabilities	238,976	(194,542)	114,237	(109,149)	49,522
Non-current deferred income taxes	(4,174)	43,104	32,358		71,288
Total shareholders /invested equity	456,301	741,038	52,546	(793,584)	456,301
Total Liabilities and Shareholders /Invested Equity	$934,209	$ 640,631	$228,986	$(910,184)	$893,642

8

Table of Contents

OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEETS
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
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

Table of Contents

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

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 3,499	$ 840	$ 6,402	$ 1	$ 10,742
Receivables, net	79,389	53,825	31,374	(6,996)	157,592
Inventories	65,106	57,626	17,438	(726)	139,444
Prepaid expenses	11,061	9,631	3,165		23,857
Current assets related to discontinued operations, net	2,323	31	15,778		18,132
Total current assets	161,378	121,953	74,157	(7,721)	349,767
Property, plant and equipment, net	10,668	54,167	8,692		73,527
Goodwill, net	1,847	148,556	49,825		200,228
Intangible assets, net	1,441	138,662	94,287		234,390
Other non-current assets, net	688,329	152,795	1,394	(814,622)	27,896
Total Assets	$863,663	$ 616,133	$228,355	$(822,343)	$885,808
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities related to continuing operations	$ 50,698	$ 49,952	$ 33,142	$ (6,407)	$127,385
Current liabilities related to discontinued operations	60	67	11,361		11,488
Long-term debt, less current portion	226,861	3			226,864
Non-current liabilities	177,325	(148,016)	112,273	(109,149)	32,433
Non-current deferred income taxes	(515)	46,652	32,267		78,404
Total shareholders /invested equity	409,234	667,475	39,312	(706,787)	409,234
Total Liabilities and Shareholders Equity	$863,663	$ 616,133	$228,355	$(822,343)	$885,808

Table of Contents

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

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	$99,415	$107,033	$39,939	$ (8,440)	$237,947
Cost of goods sold	78,562	45,138	17,384	(588)	140,496
Gross profit	20,853	61,895	22,555	(7,852)	97,451
Selling, general and administrative	21,764	55,634	20,145	(7,492)	90,051
Royalties and other income	58	2,652	1,396	(322)	3,784
Operating income	(853)	8,913	3,806	(682)	11,184
Interest (income) expense, net	6,144	(3,469)	2,299	22	4,996
Income from equity investment	10,102			(10,102)	
Earnings before income taxes	3,105	12,382	1,507	(10,806)	6,188
Income taxes	(2,128)	3,690	95	(245)	1,412
Net earnings from continuing operations	5,233	8,692	1,412	(10,561)	4,776
Earnings from discontinued operations, net of tax					
Net earnings	$ 5,233	$ 8,692	$ 1,412	$(10,561)	$ 4,776

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
First Quarter 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	$(18,023)	$ 20,697	$ (2,728)	$	$ (54)
Cash Flows from Investing Activities Acquisitions	(21,562)				(21,562)
Investment in unconsolidated entity		(162)			(162)
Purchases of property, plant and equipment	(203)	(6,493)	(200)		(6,896)
Proceeds from sale of property, plant and equipment	75	47			122

Net cash (used in) provided by investing activities	(21,690)	(6,608)	(200)		(28,498)
Cash Flows from Financing Activities Change in debt	9,799	(3)			9,796
Proceeds from issuance of common stock	604				604
Change in inter-company payable	13,038	(14,437)	1,399		
Dividends on common stock	(3,216)				(3,216)
Net cash (used in) provided by financing activities	20,225	(14,440)	1,399		7,184
Net change in Cash and Cash Equivalents	(19,488)	(351)	(1,529)		(21,368)
Effect of foreign currency translation			223		223
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	$ 3,375	$ 861	$ 11,501	$	$ 15,737

11

OXFORD INDUSTRIES, INC.
UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF EARNINGS
First Quarter of Fiscal 2007

	Oxford Industries (Parent)	Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net sales	$135,870	$120,622	$38,653	$(11,067)	$284,078
Cost of goods sold	105,985	54,586	18,604	(3,208)	175,967
Gross profit	29,885	66,036	20,049	(7,859)	108,111
Selling, general and administrative	26,865	53,480	18,198	(10,550)	87,993
Royalties and other income		1,495	1,473	(76)	2,892
Operating income	3,020	14,051	3,324	2,615	23,010
Interest (income) expense, net	3,840	(2,843)	1,912	2,583	5,492
Income from equity investment	11,924	3		(11,927)	
Earnings before income taxes	11,104	16,897	1,412	(11,895)	17,518
Income taxes	(28)	6,066	315	10	6,363
Net earnings from continuing operations	11,132	10,831	1,097	(11,905)	11,155
Earnings from discontinued operations, net of tax	(205)	(36)		36	(205)
Net earnings	$ 10,927	$ 10,795	$ 1,097	$(11,869)	$ 10,950

UNAUDITED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
First Quarter of Fiscal 2007

	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	$(24,568)	$ 3,597	$1,843	$ 10	$(19,118)
Cash Flows from Investing Activities Acquisitions	(12,111)				(12,111)
Investment in unconsolidated entity		(9,063)			(9,063)
Purchases of property, plant and equipment	(82)	(3,360)	(114)		(3,556)
Net cash (used in) provided by investing activities	(12,193)	(12,423)	(114)		(24,730)

Cash Flows from Financing Activities Change in debt	26,793	(4)	(2)		26,787
Proceeds from issuance of common stock	886				886
Change in inter-company payable	(5,138)	4,734	402	2	
Dividends on common stock	(5,304)				(5,304)
Net cash (used in) provided by financing activities	17,237	4,730	400	2	22,369
Cash Flows from Discontinued Operations					
Net operating cash flows provided by discontinued operations	17,848	3,802			21,650
Net change in Cash and Cash Equivalents	(1,676)	(294)	2,129	12	171
Effect of foreign currency translation			92		92
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	$ 3,499	$ 840	$6,402	$ 1	$ 10,742

Table of Contents

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 sell certain products of our owned brands through our own retail stores.

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 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 in the Far East; and the acquisition of several other trademarks and related operations including Solitude, Arnold Brant and Hathaway. 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 diposition of portions of our private label businesses that do not have the potential to meet our operating income expectations.

The most significant factors impacting our results and contributing to the change in diluted net earnings from continuing operations per common share of $0.27 in the first quarter of transition period 2008 from $0.63 in the first quarter of fiscal 2007 are discussed by operating group below:

- The Tommy Bahama Group experienced a $3.8 million, or 22%, decrease in operating income, primarily due to certain wholesale customers deferring the shipment of certain products until the second quarter of transition period 2008 as well as the difficult retail environment in the first quarter of transition period 2008 at our own retail stores and our customers stores, particularly in Florida, California, Nevada and Arizona.

- The Ben Sherman Group experienced a $1.2 million, or 61%, decrease in operating income, primarily due to a reduction in net sales and operating income in the United States as a result of our continuing efforts to restrict distribution of our Ben Sherman products and the termination of the Evisu denim distribution agreement in the United States.

The Lanier Clothes Group experienced a $2.2 million, or 88%, decrease in operating income primarily due to the continuing sluggish demand in the tailored clothing market.

The Oxford Apparel Group experienced a $2.6 million, or 42%, decrease in operating income primarily due to a decrease in net sales as we exited certain lines of business as well as charges totaling $1.0 million that we incurred for asset impairment and operating losses at our Tegucigalpa, Honduras manufacturing facility which we plan to sell during transition period 2008. These items were partially offset by a reduction in selling, general and administrative expenses from lines that we exited during the second half of fiscal 2007 and the benefit of a full quarter of equity income from the unconsolidated entity that owns the Hathaway trademark which was acquired during the first quarter of fiscal 2007.

Our effective tax rate was 22.8% and 36.3% in the first quarter of transition period 2008 and the first quarter of 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 in the current quarter resulting in a decrease in deferred tax liabilities and income tax expense, (2) the impact of the statute of limitations expiring on certain contingency reserves during the first quarter of transition period 2008 and (3) the change in our assertion regarding our initial investment in a foreign subsidiary in the fourth quarter of fiscal 2007.

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 shall end at the end of the Saturday closest to January 31 and shall, in each case, begin at the beginning of the day next succeeding the last day of the preceding fiscal year. Accordingly, there will be a transition period from June 2, 2007 through February 2, 2008. We will file a Form 10-Q for the quarter ending August 31, 2007, a Form 10-Q for the quarter ending November 30, 2007 and a Form 10-K for the transition period from June 2, 2007 through February 2, 2008.

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.

	First Quarter		
	Transition Period 2008	Fiscal 2007	Percent Change
Net sales	$237,947	$284,078	(16.2%)
Cost of goods sold	140,496	175,967	(20.2%)
Gross profit	97,451	108,111	(9.9%)
Selling, general and administrative expenses	88,861	86,446	2.8%
Amortization of intangible assets	1,190	1,547	(23.1%)
Royalties and other operating income	3,784	2,892	30.8%
Operating income	11,184	23,010	(51.4%)
Interest expense, net	4,996	5,492	(9.0%)
Earnings before income taxes	6,188	17,518	(64.7%)
Income taxes	1,412	6,363	(77.8%)
Net earnings from continuing operations	4,776	11,155	(57.2%)
Earnings (loss) from discontinued operations, net of taxes		(205)	(100.0%)
Net earnings	$ 4,776	$ 10,950	(56.4%)

Table of Contents

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 First Quarter	
	Transition Period 2008	Fiscal 2007
Net sales	100.0%	100.0%
Cost of goods sold	59.0%	61.9%
Gross profit	41.0%	38.1%
Selling, general and administrative expenses	37.3%	30.4%
Amortization of intangible assets, net	0.5%	0.5%
Royalties and other operating income	1.6%	1.0%
Operating income	4.7%	8.1%
Interest expense, net	2.1%	1.9%
Earnings before income taxes	2.6%	6.2%
Income taxes	0.6%	2.2%
Net earnings from continuing operations	2.0%	3.9%
Earnings (loss) from discontinued operations, net of taxes	0.0%	(0.1%)
Net earnings	2.0%	3.9%

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.

In Tommy Bahama, we design, source and market 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 as well as 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.

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 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.

Table of Contents

Oxford Apparel produces branded and private label dress shirts, suited separates, sport shirts, dress slacks, 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, Ely, Cattleman 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.

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

	First Quarter		
	Transition Period 2008	Fiscal 2007	Percent Change
Net Sales			
Tommy Bahama	$ 99,198	$104,148	(4.8%)
Ben Sherman	37,557	39,092	(3.9%)
Lanier Clothes	35,581	40,682	(12.5%)
Oxford Apparel	65,335	99,037	(34.0%)
Corporate and Other	276	1,119	(75.3%)
Total Net Sales	$237,947	$284,078	(16.2%)

	First Quarter		
	Transition Period 2008	Fiscal 2007	Percent Change
Operating Income			
Tommy Bahama	$13,067	$16,835	(22.4%)
Ben Sherman	742	1,920	(61.4%)
Lanier Clothes	307	2,496	(87.7%)
Oxford Apparel	3,601	6,195	(41.9%)
Corporate and Other	(6,533)	(4,436)	(47.3%)
Total Operating Income	$11,184	$23,010	(51.4%)

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

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

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

Net sales decreased $46.1 million, or 16.2%, in the first quarter of transition period 2008 as a result of the changes in sales as discussed below.

Tommy Bahama reported a decrease in net sales of $5.0 million, or 4.8%. The decrease was primarily due to a decrease in unit sales of 10.3% resulting from:

some larger wholesale customers deferring the receipt of certain fall shipments until the second quarter of transition period 2008 which we expect to continue in future quarters; and

the difficult retail environment in the first quarter of transition period 2008 at our own retail stores and our customers stores, particularly Florida, California, Nevada, and Arizona.

These factors were partially offset by an increase in sales due to the total number of Tommy Bahama retail stores, excluding licensed stores, increasing to 69 at August 31, 2007 from 62 at September 1, 2006 and an increase in the average selling price per unit of 4.1%. 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 quarter of transition period 2008.

Ben Sherman reported a decrease in net sales of $1.5 million, or 3.9%. The decrease in net sales was primarily due to a decrease in unit sales of 8.9% resulting from a unit sales decrease in the Ben Sherman United States business. The decline in the United States Ben Sherman operations was primarily due to our continuing efforts to restrict distribution of Ben Sherman products, decrease inventory levels at retail and the termination of the Evisu denim distribution agreement. The decrease in unit sales was partially offset by an increase in the average selling price per unit of 5.4%, which was primarily due to a 5% increase in the average exchange rate between the United States dollar and the British pound sterling.

Lanier Clothes reported a decrease in net sales of $5.1 million, or 12.5%. The decrease was primarily due to a decline in the average selling price per unit of 11.4% in addition to a unit sales decrease of 1.3%. The decrease in the average selling price per unit and the unit sales were primarily due to the continued sluggish demand in the tailored clothing market at retail.

Oxford Apparel reported a decrease in net sales of $33.7 million, or 34.0%. The decrease was primarily due to a decrease in unit sales of 34.7% partially offset by an increase in the average selling price per unit of 1.0%. The decrease in net sales and unit sales was anticipated in connection with our strategy in the latter part of fiscal 2007 to exit certain lines of business which we believe lacked the ability to meet our profitability goals.

Gross profit decreased 9.9% in the first quarter of transition period 2008. The decrease was due to lower sales, as described above, partially offset by higher gross margins. Gross margins increased to 41.0% during the first quarter of transition period 2008 from 38.1% during the first quarter of fiscal 2007. The increase was primarily due to the increased proportion of Tommy Bahama retail sales, which have higher gross margins, and decreased sales in our wholesale businesses, including the exit of certain lower margin businesses in our Oxford Apparel Group.

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 2.8% in the first quarter of transition period 2008. SG&A was 37.3% of net sales in the first quarter of transition period 2008 compared to 30.4% in the first 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. These increases in SG&A were partially offset by reductions of SG&A in our Oxford Apparel Group related to businesses that we exited. The increase as a percentage of net sales was primarily due to the reduction in net sales for the first quarter of transition period 2008 compared to the first quarter of fiscal 2007.

Amortization of intangible assets decreased 23.1% in the first 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 years unless we acquire additional intangible assets with definite lives.

Royalties and other operating income increased 30.8% in the first quarter of transition period 2008. The increase was primarily due to increased royalty income from the Tommy Bahama brand 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.

17

Table of Contents

Operating income decreased 51.4% in the first quarter of transition period 2008 due to the changes discussed below.

Tommy Bahama reported a $3.8 million, or 22.4%, decrease in operating income in the first quarter 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 September 1, 2006. This was partially offset by a decrease in amortization of intangible assets and an increase in royalty income.

Ben Sherman reported a $1.2 million, or 61.4%, decrease in operating income in the first quarter of transition period 2008. The net decrease was primarily due to the decrease in sales in the United States wholesale business, as discussed above, and increased SG&A due to additional retail stores which we opened subsequent to September 1, 2006.

Lanier Clothe