SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

þ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For Fiscal year ended: October 2, 2005

Commission File number: 01-14830

GILDAN ACTIVEWEAR INC.

(Exact name of registrant as specified in its charter)

Québec, Canada
(Province or other jurisdiction of incorporation or organization)

2200, 2250, 2300
(Primary standard industrial classification code number, if applicable)

Not Applicable
(I.R.S. employer identification number, if applicable)

725 Montée de Liesse, Montréal, Québec, Canada H4T 1P5, (514) 735-2023
(Address and telephone number of registrant's principal executive office)

Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715,(302) 738-6680
(*Name, address and telephone number of agent for service in the United States*)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares	**The New York Stock Exchange** **The Toronto Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

þ Annual Information Form þ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Common Shares:
59,954,530

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant has been required to file such reports); and (2) has been subject to such filing requirements in the past 90 days.

Yes þ No o



GILDAN ACTIVEWEAR INC.

ANNUAL INFORMATION FORM

for the year ended October 2, 2005

December 22, 2005

GILDAN ACTIVEWEAR INC.

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Except as otherwise indicated, the information contained herein is given as of December 15, 2005, and all dollar amounts set forth herein are expressed in U.S. dollars.

*In this annual information form, "**Gildan**", the "**Corporation**", or the words "**we**", "**our**" and "**us**" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries.*

The information appearing in the extracts of the documents listed below and specifically referred to in this Annual Information Form is incorporated herein by reference:

- *2005 Annual Report; and*
- *2005 Notice of Annual Meeting of Shareholders and Management Proxy Circular (the "Circular").*

The foregoing documents are available on the SEDAR website at www.sedar.com, on the Edgar website at www.sec.gov and on the Corporation's website at www.gildan.com.

This Annual Information Form contains certain forward-looking statements, which are based on Gildan's current expectations, estimates, projections and assumptions and were made by Gildan in light of its experience and its perception of historical trends. All statements that address expectations or projections about the future, including statements about Gildan's strategy for growth, commodity prices, costs, operating or financial results, are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects", "anticipates", "plans", "intends", "believes", "projects", "could" and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. These statements do not reflect the potential impact of any non-recurring items or of any mergers, acquisitions, dispositions, other business combinations or other transactions that may be announced or that may occur after the date hereof. Other factors that could cause results or events to differ materially from current expectations are described in the "Risks" section of our management's discussion and analysis on pages 21 to 45 of our 2005 Annual Report.

1. CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

We were incorporated on May 8, 1984 pursuant to the *Canada Business Corporations Act* under the name of Textiles Gildan Inc. At our inception, we focused our activities on the manufacture of textiles and produced and sold finished fabric as a principal product-line. In 1992, we redefined our operating strategy and, by 1994, our operations focused exclusively on the manufacture and sale of activewear for the wholesale distribution market.

In March 1995, we changed our name to Gildan Activewear Inc./Les Vêtements de Sports Gildan Inc. In June 1998, in conjunction with our initial public offering, we filed Articles of Amendment to, among other things, remove the private company restrictions contained in our charter documents and change the structure of our authorized share capital.

In February 2004, we amended our Articles in order to provide for the possibility of holding annual meetings of shareholders at places outside Canada and to change the province or territory in Canada where our registered office is to be situated from "Montreal Urban Community (Province of Québec)" to "Province of Québec".

On February 2, 2005, we filed Articles of Amendment in order to (i) create a new class of Common Shares (the "Common Shares"), (ii) change each of the issued and outstanding Class A Subordinate Voting Shares into one of the newly-created Common Shares, (iii) remove the Class B Multiple Voting Shares and the Class A Subordinate Voting Shares as well as the rights, privileges, restrictions and conditions attaching thereto, (iv) change the French form of our name to "Les Vêtements de Sport Gildan Inc." and (v) decrease the maximum number of directors from fifteen (15) to ten (10).

Our principal executive offices and registered office are located at 725 Montée de Liesse, Montreal, Québec, Canada H4T 1P5, and our telephone number at that address is (514) 735-2023.

1.2 Intercorporate Relationships

We have 32 directly or indirectly wholly-owned subsidiaries, which include the following entities:

- ***Gildan Activewear SRL***, a Barbados corporation, which has overall responsibility for all of our international sales and related activities, such as contract manufacturing, warehousing, distribution, marketing and customer service;
- ***Gildan Activewear Properties (BVI) Inc.***, a British Virgin Islands corporation, which owns the facility in Barbados that houses the executive offices of Gildan Activewear SRL;
- ***Gildan Activewear San José, S.A.***, a Honduran corporation, which operates a sewing facility in San Pedro Sula, Honduras;
- ***Gildan Activewear San Miguel, S.A.*** a Honduran corporation, which operates a sewing facility in Choloma, Honduras;
- ***Gildan Activewear San Antonio, S.A.***, a Honduran corporation, which operates a sewing facility in Choloma, Honduras;
- ***Gildan Activewear Villanueva, S.A.***, a Honduran corporation which operates a sewing facility in Villanueva, Honduras;
- ***Gildan Activewear (Clercine), S.A.***, a Haitian corporation, which operates two sewing facilities in Port-au-Prince, Haiti;
- ***Gildan Activewear (San Marcos), S.A.***, a Nicaraguan corporation, which operates a sewing facility in San Marcos, Nicaragua;
- ***Gildan Activewear (Rivas), S.A.***, a Nicaraguan corporation, which operates a sewing facility in Rivas, Nicaragua;
- ***Gildan Activewear Castaños, S. de R.L. de C.V.***, a Mexican corporation, which operates two sewing facilities in Mexico;
- ***Gildan Activewear Mexico, S.A. de C.V.***, a Mexican corporation, which will be responsible for sales and distribution in Mexico;
- ***Gildan Activewear Malone, Inc.***, a New York corporation, which operates a cutting facility in Bombay, New York;
- ***Gildan Activewear Honduras Textiles Company, S.A.***, a Honduran corporation, which operates our integrated textile facility in Rio Nance, Honduras;
- ***Gildan Activewear (UK) Limited***, a U.K. corporation, which is responsible for sales and distribution for our European and Asia/Pacific markets;
- ***Gildan Choloma Textiles, S.A.***, a Honduran corporation, which will operate our second integrated textile facility in Rio Nance, Honduras;
- ***Gildan Honduras Hosiery Factory, S.A.***, a Honduran corporation, which will operate our integrated sock manufacturing facility in Rio Nance, Honduras;
- ***Gildan Activewear (Eden) Inc.***, a North Carolina corporation, which operates our Eden, North Carolina distribution facility;

- ***Gildan Activewear (US Holdings) Inc.***, a Florida Corporation, which owns 50% of CanAm Yarns, LLC ;
- ***Gildan Activewear Dominican Republic Textile Company Inc.***, a Barbados corporation, which operates our integrated textile facility in Bella Vista, Dominican Republic; and
- ***Gildan Activewear Properties (Dominican Republic) Inc.***, a Barbados corporation, which owns the real estate where our integrated textile facility is located in Bella Vista, Dominican Republic.

In addition, in the first quarter of fiscal 2004, we formed a joint venture company with Frontier Spinning Mills, Inc. ("Frontier"), a major U.S. yarn manufacturer. This company, called CanAm Yarns, LLC (formerly Cedartown Manufacturing, LLC) ("CanAm"), a Delaware limited liability company, currently operates yarn spinning facilities in Cedartown, Georgia and Clarkton, North Carolina. Gildan and Frontier each own a 50% voting and equity interest in CanAm.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

Over the past three fiscal years, we have continued the expansion of our manufacturing capacity and invested in the acquisition of modern, automated equipment for all aspects of our manufacturing process to maximize production and achieve high efficiency rates. We have made capital investments for company expansion and cost reduction. For changes in our business that are expected to occur during fiscal 2006, see "Description of the Business — Business Overview — Growth Strategy".

Retail Market Initiative

In fiscal 2005, as an initial step into the retail market, we began selling our existing activewear products to retailers for sale without logos or decoration. In fiscal 2006, we plan to expand further into the retail market by adding new customers and selling underwear and athletic socks to retailers. Manufacturing capacity will be added to support our planned penetration into the retail channel.

Yarn Spinning

During fiscal 2003 and 2004, our yarn spinning plants in Long Sault, Ontario and Montreal, Québec, provided virtually all of the commodity yarn requirements of our Canadian textile manufacturing facilities.

In the second quarter of fiscal 2005, we closed both of our Canadian yarn spinning plants and transferred our Canadian yarn spinning activities to the United States. In order to be globally cost-competitive, we decided to focus on expanding our textile operations in Central America and the Caribbean Basin and utilizing our textile operations in Canada to produce shorter-run, higher-value product-lines. This resulted in lower requirements for commodity yarns from our Canadian yarn spinning facilities, with the consequence that by fiscal 2005 they were no longer able to operate at an efficient level of capacity utilization. Under U.S. international trade legislation enacted in 2000, it became uneconomical for us to utilize yarn from our Canadian yarn spinning facilities to supply our offshore textile operations, which must use U.S. yarn in order to be eligible for duty-free access to U.S. markets. Approximately 86% of our overall sales are currently made to the United States. The new Central American Free Trade Agreement (CAFTA), which was enacted by the United States this year, allows duty-free access from our offshore manufacturing hubs for products using regionally-spun yarn, but this new legislation does not provide for the use of Canadian yarn. In addition to the impact of lower capacity utilization on our Canadian yarn spinning facilities, their cost structure was also negatively impacted by the appreciation of the Canadian dollar and by the deregulation of electricity costs in the province of Ontario.

In the first quarter of fiscal 2004, we formed CanAm, a 50%/50%-owned joint venture company with Frontier, which acquired all of the assets of an existing yarn spinning facility located in Cedartown, Georgia. The total cost of the equipment and real estate for the acquisition of the Cedartown facility, including Frontier's 50% share of the investment, amounted to $12.5 million. In fiscal 2005, concurrent with the Canadian yarn spinning plant closures, CanAm's yarn spinning operations were expanded to include a new yarn spinning facility in Clarkton, North Carolina. In conjunction with the development of the new Clarkton facility, CanAm acquired certain assets of our yarn spinning facility in Long Sault,

Ontario, the transfer of which occurred in the second quarter of fiscal 2005 and the new Clarkton facility became fully operational by the end of the third quarter of fiscal 2005.

Textile Manufacturing

In fiscal 2002, we began production at our integrated knitting, bleaching, dyeing, finishing and cutting facility in Rio Nance, Honduras. The site is strategically located within our Honduran regional manufacturing hub.

In fiscal 2004, we began construction of an integrated knitting, bleaching, dyeing, finishing and cutting facility in Bella Vista, Dominican Republic to support our projected continuing sales growth. The Bella Vista facility began production in the third quarter of fiscal 2005 and we expect to ramp up this facility to close to full capacity in fiscal 2006.

In fiscal 2004, we purchased property in Nandaïme, Nicaragua for development of an integrated textile facility. We view the Nicaragua site as a strategic long-term asset for future capacity expansion.

During fiscal 2005, we purchased additional land adjacent to our Rio Nance facility in Honduras for the purpose of building two new manufacturing facilities. We intend to build a new integrated textile manufacturing facility in order to add capacity primarily to support projected future growth in our existing product-lines in both the wholesale and retail market channels. We expect to begin commercial operations at this facility in fiscal 2007. We also intend to build a new integrated sock manufacturing facility to support our planned entry into the athletic sock market. We expect to begin commercial operations in this facility in fiscal 2006.

Sewing

In fiscal 2003, we closed our Montreal sewing plant, which at the time provided approximately 2% of our overall sewing requirements, as this plant was no longer cost competitive or economically viable in relation to a global competitive environment. In addition, in September 2004, we closed our sewing facility in El Progreso, Honduras, for economic and operational reasons.

In fiscal 2003, we began production in a new sewing facility located in Port-au-Prince, Haiti and in fiscal 2004, we began production in a new sewing facility located in San Marcos, Nicaragua.

In fiscal 2005, we began production in three new sewing facilities located in Choloma, Honduras, Rivas, Nicaragua and Port-au-Prince, Haiti. In the first quarter of fiscal 2006, we signed a lease agreement for a new sewing facility located in Villanueva, Honduras and production at this facility has commenced. In addition to our own facilities, we supplement our production by using third party contractors in Nicaragua, El Salvador, Honduras, Haiti and the Dominican Republic.

Distribution

In April and November 2003 and January 2004 respectively, we entered into third party logistics agreements to utilize distribution centres located in Bletchley-Milton Keynes, United Kingdom, Brisbane, Australia and Meer, Belgium. In fiscal 2004, we began a major expansion of our distribution centre in Eden, North Carolina, which was completed in the second quarter of fiscal 2005. In addition, in fiscal 2004, we added a new third party distribution centre in Ontario, California to better serve our U.S. customers located on the west coast.

Capital Expenditures

In the last three fiscal years, we have invested an aggregate of $179.2 million in our manufacturing and distribution operations in North America and offshore.

Share Structure

In February 2004, our Board of Directors approved the conversion of all of the Corporation’s Class B Multiple Voting Shares into Class A Subordinate Voting Shares on a one-for-one basis and without any conversion premium. The Class B Multiple Voting Shares were held by H. Greg Chamandy, Glenn J. Chamandy and Edwin B. Tisch through their respective holding companies. The conversion became effective on March 1, 2004.

At the annual and special meeting of the shareholders on February 2, 2005, our shareholders approved a special resolution to amend our Articles in order to change each of the issued and outstanding Class A Subordinate Voting Shares into one newly-created Common Share and to remove the Class B Multiple Voting Shares and the Class A Multiple Voting Shares, effectively eliminating our dual class voting structure.

Shareholder Rights Plan

On December 1, 2004, our Board of Directors adopted a shareholder rights plan, which became effective that same day. At the annual and special meeting of the shareholders held on February 2, 2005, our shareholders approved a resolution confirming the ratification of the shareholder rights plan. The objectives of the shareholder rights plan are to provide the Board of Directors and the shareholders with adequate time to assess any unsolicited take-over bid for the Corporation and where appropriate, give the Board of Directors sufficient time to pursue other alternatives for maximizing shareholder value.

Stock Split

On May 4, 2005, our Board of Directors approved a two-for-one stock split effected in the form of a stock dividend. The split was applicable to all shareholders of record on May 20, 2005. The Common Shares commenced trading on a post-split basis on May 18, 2005 on the Toronto Stock Exchange and on June 1, 2005 on the New York Stock Exchange, in accordance with the respective requirements of these exchanges. The stock split is intended to increase the liquidity of, and facilitate trading in, our Common Shares.

3. DESCRIPTION OF THE BUSINESS

3.1 Business Overview

We are a rapidly growing, vertically-integrated marketer and manufacturer of premium quality basic activewear for sale principally into the wholesale imprinted activewear market in the Canadian, United States, European and Asia/Pacific apparel markets. Until fiscal 2000, our sales were exclusively in Canada and the United States. During the past six years we have established a strong base for future growth in Europe. We manufacture and sell premium quality 100% cotton t-shirts and 50% cotton/50% polyester t-shirts, placket collar sport shirts and premium quality fleece products in a variety of weights, sizes, colors and styles. We sell our products as “blanks”, which are ultimately decorated by screenprinters with designs and logos for sale to end users.

In fiscal 2005, as an initial step into the retail channel, we began selling our existing activewear products to retailers. In fiscal 2006, we plan on gradually expanding our presence in the retail channel and to begin selling underwear and athletic socks into this market.

Over the past several years, we have significantly increased our sales and earnings. From fiscal 1993 through fiscal 2005, our sales grew from $24.0 million to $653.9 million, representing a compounded annual growth rate of 31.7%.

Our sales growth has been supported by the continuing expansion of our manufacturing capacity. In fiscal 2005, our sales increased to 31.8 million dozens, compared with 26.9 million dozens in the previous fiscal year. We are currently adding new capacity to support our planned sales growth. All of our new capacity is being added at the low end of the cost curve, reflecting our strategy to grow using the latest manufacturing technology and processes.

Operating Strategy

We believe that our focus on low-cost manufacturing, our customer relationships and our reputation for consistent premium quality are the reasons we have been able to rapidly increase our market presence and establish our market leadership in the wholesale imprinted sportswear market. We attribute our strong operating performance to our strategy, which is composed of the following principal components:

Emphasis on Premium Quality Products. We offer our products in a wide variety of weights, sizes, colors and styles. All of our products are designed to include premium quality features, such as topstitched seamless collars, taped neck and shoulders, double stitched seams, and quarter-turned bodies to eliminate the centre crease. To ensure the premium quality

of our products, we apply stringent quality control procedures at all stages of the production process, both at our facilities and those of our contractors.

Competitive Pricing and Low-Cost Operations. We believe that our combination of competitive prices and premium quality products provides superior value to our customers. We are able to price our products competitively because of our success in maintaining low production and operating costs. We accomplish this by:

- investing in modern, automated equipment and facilities;
- increasing our capacity through the development of integrated regional hubs in Central America and the Caribbean Basin, where we benefit from strategic locations and favourable international trade agreements; and
- focusing on producing a narrow range of basic high-volume product-lines, which allows us to maximize production efficiencies.

Modern, Vertically-Integrated Operations. We control all aspects of our apparel manufacturing process to ensure stringent quality standards. We believe that our modern, vertically-integrated operations position us effectively to meet our customers' needs. We intend to continue to acquire modern, automated equipment for all aspects of our manufacturing process to maximize productivity and achieve high efficiency rates. The continuous re-investment in our manufacturing facilities enables us to add capacity, reduce manufacturing costs as well as monitor quality at all stages of the production process, thus enabling us to maximize sales growth and profit margins.

During fiscal 2005, we continued to successfully operate our integrated textile facility in Rio Nance, Honduras. We also began production at our new integrated textile facility in Bella Vista, Dominican Republic in the third quarter of fiscal 2005. In addition, in the third quarter of fiscal 2005, CanAm, our 50%/50%-owned joint venture company with Frontier, began operating a new yarn spinning facility in Clarkton, North Carolina to supplement its existing yarn spinning facility in Cedartown, Georgia.

Experienced Management Team. Our senior executives have significant industry experience. We have complemented our senior management team by integrating managers who fit with our entrepreneurial culture, while also providing depth and experience gained in other environments. We believe our management teams at the corporate level, in our manufacturing hubs and in, our principal subsidiary, Gildan Activewear SRL, are well qualified to successfully manage our growth and strategic development.

Growth Strategy

In the third quarter of fiscal 2005, we began production at our second state-of-the-art integrated knitting, bleaching, dyeing, finishing and cutting facility in Bella Vista, Dominican Republic and expect to ramp up this facility to close to full capacity in fiscal 2006. The land we purchased for this facility is large enough to accommodate an anticipated further major capacity addition on the same site. The fabric manufactured at this facility is sewn primarily in Haiti, where we operate integrated sewing facilities and have established relationships with external contractors.

The new capacity generated by the Dominican Republic regional manufacturing hub is expected to be utilized primarily to support our continuing sales growth.

During fiscal 2005, we purchased additional land adjacent to our Rio Nance facility in Honduras for the purpose of building two new manufacturing facilities. We intend to build a new integrated textile manufacturing facility to support projected future growth in activewear and underwear and a new integrated sock manufacturing facility to support our planned entry into the hosiery market. We expect to begin commercial operations in the sock and textile facilities in fiscal 2006 and 2007, respectively.

As we bring in significant new production capacity, we anticipate that our projected organic unit sales growth will result in unit volume growth over the next five years to annual sales of approximately 100 million dozens, more than triple the level of sales achieved in fiscal 2005. During this period our objective will be to achieve our market share targets in the wholesale imprinted sportswear market. We also plan to continue to sell the same basic undecorated activewear apparel products into the retail channel, as well as introduce complementary products, namely underwear and athletic socks, that also leverage our existing core competencies, successful business model and competitive strengths. We intend to follow the same pricing strategy as in the wholesale market, by using our cost efficiencies to lower selling prices and then use lower selling

prices to capture market share. The competition in the retail channel for basic family apparel products is essentially the same as in the wholesale channel.

We also expect to pursue further international market expansion opportunities, in addition to our existing served markets in Europe and Australia.

Industry Overview

We currently focus principally on sales of t-shirts, placket collar sport shirts and fleece products in "blank" form, to the wholesale imprinted activewear market. "Imprinted" activewear is typically decorated with a screenprint or embroidered with a logo, design or character before it reaches the end user. Imprinted activewear is either branded or private label. Branded products display the manufacturer's label, whereas products sold on a private label basis display the brand name of the customer.

We believe that growth in the imprinted activewear market has been driven by several trends, such as the following:

- continued use of activewear for event merchandising (such as concerts, festivals, etc.);
- continued evolution of the entertainment/sports licensing and merchandising businesses;
- the growing use of activewear for uniform applications;
- the growing use of activewear for corporate promotions;
- continued increases in use of activewear products for travel and tourism;
- an increased emphasis on physical fitness; and
- a greater use and acceptance of casual dress in the workplace.

Furthermore, significant improvements in activewear apparel, ranging from enhanced product characteristics, such as pre-shrunk fabrics, improved fabric weight, blends and construction, to increased product variety, including new sizes, colors and styles, have enhanced consumer appeal.

Finally, the screenprint activewear market is characterized by low fashion risk compared to many other apparel markets. While opportunity exists for product innovations and differentiation, demand is generally not driven by fashion trends or fads.

Products

Our product offering focuses on core basic activewear styles, sold in a variety of fabrics, weights and colors. Silhouettes include basic t-shirts, long sleeve t-shirts, sleeveless t-shirts, ringer tees, tank tops, pocket t-shirts, basic sport shirts, pocketed sport shirts, crewneck sweatshirts, hooded sweatshirts and sweatpants. Each product category is serviced by various labels (each indicative of a specific quality level or fabric type), such as Ultra Cotton®, Heavy Cotton, Ultra Blend® and Heavy Blend™. We offer 100% cotton as well as blended cotton and polyester products. We are also introducing a variety of styles of underwear and athletic socks into our product-line.

T-shirts

T-shirts represented approximately 80% of our sales in fiscal 2005 and in fiscal 2004. Our primary t-shirt offerings are the Gildan Activewear Ultra Cotton® t-shirt (6.1 oz. per sq. yd.), the Gildan Activewear Heavyweight Cotton t-shirt (5.4 oz. per sq. yd.) and the Gildan Activewear Ultra BlendÔ t-shirt (5.6 oz. per sq. yd.). Each of these t-shirt lines incorporates styles with enhanced features, such as double stitched necklines, seamless collars, taped neck and shoulders, quarter-turned bodies and superior knit surfaces to enhance printability of the fabrics. A variety of silhouettes complement the basic adult t-shirt styles within each label offering.

For the nine-month period ended September 30, 2005, we further solidified our number one brand position in the U.S. wholesale distributor network in the t-shirt category as reported in the S.T.A.R.S. Report produced by ACNielsen Market Decisions (the "S.T.A.R.S. Report"). The value of the S.T.A.R.S. Report market growth and share data for the U.S. wholesale distribution market is reduced by the non-participation of a large wholesale distributor.

Fleece Products

In fiscal 2005 and fiscal 2004, slightly above 10% of our sales were derived from the sale of fleece products. Our primary offerings in the fleece category are crewneck sweatshirts, sweatpants and hooded sweatshirts in adult and youth sizes in three distinct fabric contents and weights. We reached the number two position in the U.S. wholesale distributor network in the overall fleece category for the nine-month period ended September 30, 2005 as reported in the S.T.A.R.S. Report. Significant growth in this fleece category was driven by our volume-priced Heavy Blend collection, featuring 50% cotton/50% polyester fabric in a 7.75 oz. per sq. yd. weight. Our Ultra Blend® collection features 50% cotton /50% polyester fabric in a 9.3 oz. per sq. yd. weight and is the volume leader in this segment. We remain the leader in the U.S. wholesale distributor network in the high-cotton category, as reported in the S.T.A.R.S. Report for the nine-month period ended September 30, 2005. This segment is well serviced with our Ultra Cotton® products featuring 80% cotton / 20% polyester blend and a 10.0 oz. per sq. yd. weight.

Placket Collar Sport Shirts

In fiscal 2005 and fiscal 2004, placket collar sport shirts represented approximately 10% of our sales. We produce placket collar sport shirts in a variety of weights, sizes, colors and styles, with or without a pocket. Our placket collar sport shirts include the 100% cotton Ultra Cotton® sport shirt in jersey fabric (6.1 oz. per sq. yd.) and piqué fabric (7.0 oz. per sq. yd.) and the 50% cotton/50% polyester Gildan Activewear Ultra Blend® sport shirt in blended jersey fabric (5.6 oz. per sq. yd.) and piqué fabric (6.5 oz. per sq. yd.). We also offer the Gildan Activewear Ultra Cotton® fashion sport shirt (7.0 oz. per sq. yd.), in piqué fabric featuring fashion collars and cuffs in racing, jacquard, pin stripe and wide stripe styles.

Marketing and Sales

In the wholesale activewear market, and now more recently in the retail channel, we market our products directly to our customers through our sales force. We do not maintain regional sales offices; instead, our sales personnel work from home. Our small sales force is trained to manage relationships with a limited number of regional wholesale distributors.

Our wholesale activewear marketing strategy concentrates primarily on the wholesale distribution channel catering to screenprinters, embroiderers and advertising specialty distributors. In fiscal 2005, we expanded our marketing strategy with consumer advertising to support the arrival of retail products in stores in Canada. We promote ourselves through appearances at tradeshows and trade magazine advertising. We also engage in various forms of co-operative advertising with our major customers, including print advertising, catalogues and mailings.

Customers

In fiscal 2005, we sold our products in Canada, the United States and Europe and other markets, which accounted for 7.0%, 86.7% and 6.3% of total sales, respectively. For a breakdown of our total sales by geographic market for each of the last three financial years, reference is made to Note 15(ii) to the audited annual consolidated financial statements of the Corporation included in our 2005 Annual Report, which is incorporated herein by reference. We currently sell our products to approximately 150 customers. Our customer mix is highly diverse. In fiscal 2005, our top two customers accounted for 28.2% and 5.6% of total sales, respectively, with the balance of our top ten customers accounting for approximately 30.0% of total sales.

The large majority of total sales in fiscal 2005 were made through our wholesale distributors. Although we have long-term ongoing relationships with our distributor network, we do not have formal contractual agreements with them whereby they must purchase a minimum quantity of our products. Instead, we meet with these customers at the beginning of each fiscal year to ascertain their projected requirements and then plan our production and marketing strategy accordingly. Our wholesale distributor customers then send purchase orders to us during the course of the fiscal year. Distributors can also utilize a computerized vendor-managed inventory system.

Raw Materials

Cotton and polyester fibers are the main raw materials used in the manufacturing of our products. Cotton is used in the manufacturing of 100% cotton yarn while polyester is added in the manufacturing of 50% cotton/50% polyester blend yarn. Polyester pricing is negotiated on an annual basis, while cotton fiber pricing is fixed in the futures markets.

On January 1, 2001, we entered into a supply agreement with Frontier, which agreement, as amended, expires on September 30, 2008. This agreement allows us to source any type of yarn originating from the United States. In the first quarter of fiscal 2004, we acquired, through CanAm, our 50%/50%-owned joint venture with Frontier, a yarn spinning facility located in Cedartown, Georgia, which supplies us with 100% cotton U.S. origin yarn. In the second quarter of fiscal 2005, we transferred most of our yarn spinning assets from our Long Sault, Ontario facility to a new facility leased by CanAm in Clarkton, North Carolina. Our two yarn spinning facilities in Long Sault, Ontario and Montreal, Québec were closed effective March 31, 2005.

In the first quarter of fiscal 2005, we entered into an additional supply agreement with Parkdale America, LLC ("Parkdale") for the delivery of yarn until 2009. During fiscal 2005, the supply agreements with Frontier and Parkdale and the jointly owned CanAm facilities in Cedartown, Georgia and Clarkton, North Carolina provided us with 100% of our commodity yarn requirements. We expect that our commodity yarn requirements will continue to be met by CanAm's yarn spinning operations and the supply agreements currently in place with Frontier and Parkdale.

We also purchase chemicals, dyestuffs and trims through a variety of suppliers. These products have historically been available in sufficient supply.

Quality Control

Our quality control team has adopted strict standards and procedures to ensure the quality of our products. This team enforces plant-specific quality control standards at the facilities we own and monitors quality control at the facilities run by offshore contractors. As a result of our quality control team's efforts, we have not experienced any significant quality claims from our customers or end users.

Management Information Systems

Our Enterprise Resource Planning (ERP) system supports all of our operations in the areas of finance, manufacturing and customer services. This system is centralized and is accessed from all of our locations through secure networks. Our ERP system is linked to servers supporting both local processes and specialized applications, including payroll and distribution. We continue to leverage our existing ERP system by developing new functionality in the areas of supply chain, forecasting and strategic network optimization. Due to our increasing dependence on the availability of our computer systems to support our operations, we are planning several new technology infrastructure initiatives in fiscal 2006 to ensure that our computer systems have high availability and to enhance our disaster recovery capabilities.

Seasonality

The activewear business is seasonal. Our percentage sales breakdown by fiscal quarter for fiscal 2005 was as follows: 16.7% for the first quarter, 25.3% for the second quarter, 30.4% for the third quarter when our wholesale distributors generally purchase inventory for the peak summer selling season for t-shirts, and 27.6% for the fourth quarter. This trend is consistent with the prior fiscal year. We meet with our customers at the beginning of each fiscal year to ascertain their projected requirements and then plan our production and marketing strategy accordingly. Based on these discussions, our own assessment of projected market trends and demand, and our plans for the growth and development of our business, we produce and store finished goods inventory in order to meet the expected demand for delivery in the second half of the fiscal year. However, if after producing and storing inventory in anticipation of third and fourth quarter deliveries, demand is significantly less than expected, a risk inherent in our business is that we may be required to hold inventory for an extended period of time at our expense, or sell the excess inventory at reduced prices, thereby reducing profits.

Competition

The wholesale imprinted activewear segment of the North American apparel market in which we compete includes a number of significant competitors. Our primary competitors are the major U.S.-based manufacturers of basic branded

activewear for the wholesale and retail channels. These manufacturers include Fruit of the Loom, Inc., the Branded Apparel Division of Sara Lee Corporation, the Jerzees division of Russell Corporation and Anvil Knitwear, Inc.

Competition in Europe is similar to that in North America. We compete directly with European divisions of Fruit of the Loom, Inc., the Branded Apparel Division of Sara Lee Corporation and the Jerzees division of Russell Corporation. In addition to these North American companies, we also compete directly against a Belgian-based company, the Cotton Group.

We compete primarily on the basis of quality and price. We produce only premium quality products. We are able to price our products competitively because of our success in maintaining low production and operating costs. We accomplish this by:

- investing in modern, automated equipment and facilities;
- increasing capacity through the development of integrated regional hubs in Central America and the Caribbean Basin, where we benefit from strategic locations and favourable international trade agreements; and
- focusing on producing a narrow range of basic high-volume product-lines, which allows us to maximize production efficiencies.

Our market share in the U.S. wholesale distribution market was 36.0% in the overall t-shirt category, 32.0% in the sport shirt category and 25.0% in the fleece category for the first nine months of fiscal 2005. All U.S. market share data is based on the S.T.A.R.S. Report.

Our ability to remain competitive in the areas of quality, price, marketing, product development, manufacturing, distribution and order processing will, in large part, determine our future success. Changes in the regulatory environment affecting the textile and apparel industries may also affect the competitive pressures we face. See “Business Overview — Trade Regulatory Environment”.

Trade Regulatory Environment

The textile and apparel industries in both Canada and the United States have historically received a relatively higher degree of international trade protection than most other industries. However, this protection is diminishing as a result of the implementation of trade liberalization programs and agreements in the last several years. So far, we have been successful in positioning ourselves to benefit from this changing international regulatory climate. In order to maintain our competitiveness in the future, we must continue to adapt to future changes in trade legislation, including changes reflected in existing trade agreements and changes that may be decided unilaterally by the governments of the countries and regions in which we and our competitors operate.

World Trade Organization — Elimination of Quotas

In 2005, World Trade Organization (“WTO”) member importing countries, including Canada, the United States and countries in Western Europe, eliminated quotas on imports of textiles and apparel from WTO member exporting countries. China became a member of the WTO in 2002 and now enjoys the full benefit of the elimination of textile quotas, except that China’s WTO accession agreement allows importing countries to impose “safeguards” on their exports in cases of market disruption until the end of 2008.

Under separate agreements negotiated in 2005, China has agreed to limit its exports of textiles and apparel to European Union countries and the United States. The agreement with the European Union covers ten categories of textiles and apparel and extends through 2007. The agreement with the United States covers 34 categories and extends through 2008.

NAFTA

The North America Free Trade Agreement (“NAFTA”), implemented in 1994, established a free trade area among Canada, the United States and Mexico. None of the benefits of NAFTA apply to our goods sewn outside of the three NAFTA countries and exported to the United States or Canada for distribution.

All NAFTA originating textile and apparel goods traded among the three NAFTA countries are duty-free. Subject to certain exceptions and additional criteria, NAFTA generally requires NAFTA originating garments to be made in NAFTA

countries from the yarn stage forward. In other words, the yarn must be spun or extruded in a NAFTA country, the fabric must be woven or knitted in a NAFTA country, and the apparel must be cut and assembled in a NAFTA country. Because we knit certain of our fabric in Canada from Canadian and American yarn, our garments sewn in Mexico from this fabric are NAFTA originating.

Non-NAFTA originating garments produced in the NAFTA territory from non-NAFTA originating yarn or fabric are eligible to receive duty-free treatment under "tariff preference levels". A tariff preference level is a quota that allows non-NAFTA originating goods to receive the same duty treatment as originating goods until the quota level is filled.

CAFTA

The Central American Free Trade Agreement ("CAFTA") will become effective in 2006 among the United States, the Dominican Republic and the Central American countries. All CAFTA originating textile and apparel goods traded among the CAFTA countries will be duty-free, and most of such goods will be subject to yarn forward origin rules similar to NAFTA's. We knit certain of our fabric in Central America from American yarn. Our garments sewn in Central America with this fabric will be CAFTA originating.

Other Trade Agreements and Programs

Canada, Mexico and the United States have each implemented separate bilateral free trade agreements with Chile. The United States has also implemented bilateral free trade agreements with Australia, Israel, Jordan and Singapore.

In 2000, the United States extended preferential trade treatment for apparel to the Caribbean Basin Initiative ("CBI") countries by enacting the Caribbean Basin Trade Partnership Act ("CBTPA"). The CBTPA eliminates U.S. duty on garments assembled in those countries from fabric wholly formed in the United States from yarn wholly formed in the United States. It also provides duty-free treatment for limited quantities of knit garments produced in those countries from fabric knit in CBI countries using yarn wholly formed in the United States. CAFTA countries will no longer participate in CBTPA, except that the Dominican Republic will continue to participate with respect to certain garments produced partly in the Dominican Republic and partly in Haiti.

Also in 2000, the United States enacted the African Growth and Opportunity Act ("AGOA"), giving sub-Saharan African countries benefits similar to CBTPA. Unlike CBTPA, AGOA provides additional duty-free treatment to limited quantities of garments produced in beneficiary countries with regional fabric using regional or U.S. yarn, and in least developed countries with fabric of any origin. In 2002, the United States enacted the Andean Trade Preference and Drug Eradication Act ("ATPDEA"), giving the Andean countries benefits similar to CBTPA, except that the ATPDEA contains more liberal provisions for limited quantities of garments made in those countries with regional fabric and yarn.

The changes expected under CAFTA and already in place under CBTPA, AGOA and ATPDEA are expected to benefit our Central American and Caribbean Basin fabric and garment production. We have implemented a manufacturing and distribution plan that allows us to supply an increasing majority of our geographical markets on a duty-free basis.

The United States is also contemplating additional free trade agreements with Bahrain, the Andean countries, Morocco, Oman, Panama and the members of the South African Customs Union. Since January 1, 2003, textile and apparel products originating from approximately 48 Least Developed Countries ("LDCs") are allowed into Canada duty and quota-free under certain rules of origin. Similar legislation has also been introduced by Australia for its domestic market.

Interested countries, which include Canada, the United States, Mexico and Central and South American countries, are continuing to work on the Free Trade Area of the Americas ("FTAA"). While the implementation is uncertain, a successful FTAA would open a free trade area among all of the 34 potential participants, thus allowing all of our manufacturing operations in these regions to operate within a duty-free environment.

Intellectual Property

We own several registered trademarks including, among others, "Gildan" in Canada and the United States, the Gildan "logo" in Canada, and "Gildan Activewear" in Canada, the United States and many countries in Europe, Central America, South America and Asia and in Australia. Applications for the registration of a number of other trademarks, including "Gildan Activewear", are pending in several countries. We have and intend to continue to maintain our trademarks and the relevant registrations, and will actively pursue the registration of trademarks in Canada, the United States and abroad.

Environmental Regulation

All of our operations are subject to various environmental and occupational health and safety laws and regulations. Because we monitor environmental issues, we believe that we are in compliance in all material respects with the regulatory requirements of those jurisdictions in which our facilities are located. We will continue to make expenditures to comply with these requirements, and we do not believe that compliance will have a material adverse effect on our business. As is the case with manufacturers in general, if a release of hazardous substances occurs on or from our properties or any associated offsite disposal locations, or if contamination from prior activities is discovered at any of our properties, we may be held liable. While the amount of such liability could be material, we endeavour to conduct our operations in a manner that reduces such risks.

3.2 Property, Plants and Equipment

Textile Operations

Yarn. In the first quarter of fiscal 2004, we acquired, through CanAm, our 50%/50%-owned joint venture with Frontier, a yarn spinning facility located in Cedartown, Georgia, which supplies our offshore textile manufacturing facilities with 100% cotton U.S. origin yarn. In the second quarter of fiscal 2005, we closed our Long Sault, Ontario and Montreal, Québec yarn spinning facilities and expanded our CanAm operations by leasing an additional facility in Clarkton, North Carolina, for the supply of 100% cotton U.S. origin yarn. In addition, CanAm purchased certain yarn spinning equipment from our Long Sault facility for use in the Clarkton facility and this facility became fully operational by the end of the third quarter of fiscal 2005.

Knitting. We currently conduct knitting operations at our knitting facility in Montreal, Québec. We operate circular and flat knitting machines at this facility, producing jersey, piqué, fleece and ribbing in body-sized fabrics in tubular form using cotton and cotton/polyester yarns. We also conduct knitting operations in our integrated facility in Rio Nance, Honduras, and, during fiscal 2005, we commenced knitting operations at our new integrated textile facility in Bella Vista, Dominican Republic. At these facilities, we operate circular knitting machines, producing jersey and ribbing in body-sized tubular form using cotton and cotton/polyester yarns.

Dyeing and Finishing. Knitted fabric produced at our facility in Montreal, Québec is batched for bleaching and dyeing and is taken to our dyeing and finishing facilities in Valleyfield, Québec and Montreal, Québec. Bleaching, dyeing and finishing operations in our integrated textile facilities in Rio Nance, Honduras and Bella Vista, Dominican Republic process all the fabric knitted in each respective facility.

Cutting. All of the fabric produced at the Montreal and Valleyfield dyeing and finishing facilities is shipped to our automated cutting facility located in Bombay, New York. Cutting operations in our integrated textile facilities in Rio Nance, Honduras and Bella Vista, Dominican Republic, cut all bleached and dyed fabric produced in each respective facility, thereby leveraging our existing manufacturing infrastructure and also reducing transportation costs.

Sewing Operations

We conduct our sewing operations primarily through our four facilities in Honduras, our two facilities in Mexico, our two facilities in Haiti and our two facilities in Nicaragua. In addition to these ten facilities, we supplement our production by using third party contractors in Nicaragua, El Salvador, Honduras, Haiti and the Dominican Republic. These facilities provide us with substantially all of our market sewing assembly requirements. In conjunction with the expansion of our Central American and Caribbean Basin regional manufacturing hubs, we started operations in new sewing facilities in Choloma, Honduras, Rivas, Nicaragua and Port-au-Prince, Haiti during fiscal 2005. In fiscal 2006, we also expect to develop new sewing facilities in Central America and Haiti.

Distribution Operations

We distribute our products in the United States from a purpose-built distribution centre in Eden, North Carolina as well as from a distribution centre operated by a third party in Ontario, California. The North Carolina facility maintains our distribution operations close to our customers, providing us with the space needed for continuing growth. The third party warehouse in California was added in fiscal 2004 for the purpose of providing next day service to direct customers on the U.S. west coast. Our Canadian customers are serviced from a distribution centre located in Montreal, Québec. Customers in Europe are serviced from distribution centres operated by third parties in Meer, Belgium and Bletchley-Milton Keynes,

United Kingdom. Customers in Australia are serviced from a distribution centre operated by a third party in Brisbane, Australia. In fiscal 2006, we plan to begin utilizing a new distribution centre operated by a third party in Monterrey, Mexico to service customers in that country.

Properties

The following table sets forth the location and use of each of our principal properties and indicates whether it is owned or leased, and if leased, when the lease expires.

Location	Use	Owned or Leased	Lease Expiration(1)
Montreal, Québec	Executive offices	Owned	n/a
	Knitting facility	Owned	n/a
St. Michael, Barbados	Executive offices	Owned	n/a
Valleyfield, Québec	Dyeing and finishing facility	Owned	n/a
Montreal, Québec	Dyeing and finishing facility	Owned	n/a
Bombay, New York	Cutting facility	Leased	2006
Rio Nance, Honduras	Knitting, dyeing, finishing and cutting facility	Owned	n/a
Bella Vista, Dominican Republic	Knitting, dyeing, finishing and cutting facility	Owned	n/a
Nandaïme, Nicaragua	Idle	Owned	n/a
San Pedro Sula, Honduras	Sewing facility	Leased	2007
Choloma, Honduras	Sewing facility	Leased	2007
Choloma, Honduras	Sewing facility	Leased	2010
Villanueva, Honduras	Sewing facility	Leased	2008
Castaños, Mexico	Sewing facility	Owned	n/a
San Buenaventura, Mexico	Sewing facility	Leased	2005
San Marcos, Nicaragua	Sewing facility	Leased	2008
Rivas, Nicaragua	Sewing facility	Leased	2010
Port-au-Prince, Haiti	Sewing facility	Leased	2010
Port-au-Prince, Haiti	Sewing facility	Leased	2010
Montreal, Québec	Distribution facility	Owned	n/a
Eden, North Carolina	Distribution facility	Owned	n/a
Montreal, Québec(2)	Yarn spinning facility	Owned	n/a
Cedartown, Georgia	Yarn spinning facility	Owned(3)	n/a
Clarkton, North Carolina	Yarn spinning facility	Leased(3)	2007

(1) Includes renewals.

(2) The yarn spinning facility in Montreal, Québec shut down in the second quarter of fiscal 2005.

(3) Jointly with Frontier.

We believe that all of these facilities, whether owned or leased, are well maintained and in good operating condition.

Our revolving term credit facility and senior notes are secured by a first ranking moveable hypothec and security interest on most of our assets located at a majority of our facilities. The lenders under the term credit facility and the noteholders, among others, are party to an intercreditor agreement, which provides that the lenders and the noteholders shall in all respects be *pari passu* first and senior liens in respect of our assets.

Labour Practices

We have invested significant time and resources in ensuring that the working conditions in all our facilities meet or exceed the standards imposed by Canadian occupational health and safety laws. In addition to having our own Code of Conduct, which is available on our website at www.gildan.com, we have obtained WRAP (Worldwide Responsible Apparel Production) certification for all of our existing sewing plants in Honduras and for our main Mexican sewing facility. To ensure that these employment standards are appropriate, we have worked with the Canadian International Development Agency, a Canadian federal governmental agency, to secure the services of professionals who specialize in social/gender analysis and environmental audits with respect to developing nations. We also contractually obligate our third party contractors to follow prescribed employment policies as well as our Code of Conduct.

In November 2003, we joined the Fair Labor Association ("FLA") as a Participating Company. The FLA is recognized internationally as one of the most highly respected verification agencies and promotes adherence to international labour standards and improving working conditions.

In fiscal 2005, we retained Vérité, an internationally respected training and monitoring organization to conduct training and independent monitoring at our manufacturing facilities.

3.3 Risk Factors

Please see the "Risks" section of our management's discussion and analysis on pages 21 to 45 of the 2005 Annual Report.

3.4 Employees

As at September 30, 2005, we employed 10,193 full-time employees. Of these employees, 368 Canadian employees are covered by collective bargaining agreements. 191 employees at our Valleyfield, Québec dyeing and finishing facility are covered by a collective agreement that expired on October 31, 2005. 177 employees at our Montreal, Québec dyeing and finishing facility are covered by a collective bargaining agreement that expires on December 31, 2005.

We consider our relations with our employees to be very good and, as of the date hereof, we have not experienced any work stoppages that have had a material impact on our operations.

4. DIVIDEND POLICY

We do not currently pay dividends because we retain all of our earnings to maximize our financing capacity to develop and expand our business. The Board of Directors periodically reviews the Corporation's policy towards paying dividends. Although some of our credit facilities and debt instruments require compliance with lending covenants in order to pay dividends, these covenants are not currently, and are not expected to be, a constraint to the future payment of dividends.

5. CAPITAL STRUCTURE

First Preferred Shares

Issuance in Series

The First Preferred Shares are issuable in series and the Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attaching to, the First Preferred Shares of each series subject to the limitations, if any, set out in the Articles of the Corporation.

Rank

The First Preferred Shares rank senior to the Second Preferred Shares and the Common Shares with respect to the payment of dividends, return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of Gildan. The First Preferred Shares in each series rank equally with the First Preferred Shares of any other series.

Voting Rights

Unless the Articles otherwise provide with respect to any series of the First Preferred Shares, the holders of the First Preferred Shares are not entitled to receive any notice of or attend any meeting of the shareholders of Gildan and are not entitled to vote at any such meeting.

Second Preferred Shares

Issuance in Series

The Second Preferred Shares are issuable in series and the Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attaching to, the Second Preferred Shares of each series subject to the limitations, if any, set out in the Articles of the Corporation.

Rank

The Second Preferred Shares are subject and subordinate to the rights, privileges, restrictions and conditions attaching to the First Preferred Shares. The Second Preferred Shares rank senior to the Common Shares with respect to payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding-up of Gildan. The Second Preferred Shares in each series rank equally with the Second Preferred Shares of any other series.

Voting Rights

Unless the Articles otherwise provide with respect to any series of the Second Preferred Shares, the holders of the Second Preferred Shares are not entitled to receive any notice of or attend any meeting of the shareholders of Gildan and are not entitled to vote at any such meeting.

Common Shares

Following the conversion of all of the Corporation's Class B Multiple Voting Shares into Class A Subordinate Voting Shares, the Corporation's shareholders approved a special resolution on February 2, 2005 to amend the Corporation's Articles in order to change each of the issued and outstanding Class A Subordinate Voting Shares into one newly-created Common Share and to remove the Class B Multiple Voting Shares and the Class A Subordinate Voting Shares.

The Common Shares are subject to and subordinate to the rights, privileges, restrictions and conditions attaching to the First Preferred Shares and the Second Preferred Shares. Each holder of Common Shares shall have the right to receive any dividend declared by the Corporation and the right to receive the remaining property and assets of the Corporation on dissolution.

Each holder of Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation, except meetings of which only holders of another particular class or series shall have the right to vote. Each Common Share shall entitle the holder thereof to one (1) vote.

6. MARKET FOR SECURITIES

The Common Shares of the Corporation are listed on the New York Stock Exchange (the "NYSE") and the Toronto Stock Exchange (the "TSX") under the symbol "GIL". The Class A Subordinate Voting Shares (now the Common Shares), which were issued at an offering price of $1.75 (Cdn$2.57), began trading on the TSX, the Montreal Exchange (the "ME") and the American Stock Exchange ("AMEX") on June 17, 1998. Prior to that date, there was no public market for the Class A Subordinate Voting Shares. On September 1, 1999, the Class A Subordinate Voting Shares (now the Common Shares) commenced trading on the NYSE. We delisted such shares from AMEX on August 31, 1999. As a result of a restructuring of Canada's stock exchanges, which took effect on December 7, 1999, we are no longer listed on the ME.

The table below shows the monthly price range per share and the trading volume of the Common Shares for the fiscal year ended October 2, 2005 on the TSX (in Cdn$) and on the NYSE (in US$).

COMMON SHARES							
Toronto Stock Exchange (TSX)				New York Stock Exchange (NYSE)			
Month	High	Low	Trading Volume	Month	High	Low	Trading Volume
October 4 to 31, 2004	18.37	17.56	2,505,800	October 4 to 31, 2004	14.78	13.83	977,800
November 2004	18.60	17.43	4,049,200	November 2004	15.63	14.23	1,413,200
December 2004	20.63	18.46	6,320,800	December 2004	17.22	15.61	1,944,800
January 2005	22.80	20.30	5,472,400	January 2005	18.35	16.58	1,436,200
February 2005	25.25	22.25	6,527,800	February 2005	20.38	18.18	2,418,400
March 2005	27.25	24.63	5,184,000	March 2005	22.35	19.87	3,003,400
April 2005	28.76	25.03	4,276,400	April 2005	23.40	20.50	5,188,800
May 2005	32.00	26.50	5,931,600	May 2005	25.51	21.11	4,013,000
June 2005	32.51	29.80	4,374,600	June 2005	26.54	23.79	1,929,300
July 2005	36.92	32.98	5,016,800	July 2005	30.70	26.21	2,372,000
August 2005	41.28	35.91	5,405,500	August 2005	34.36	29.20	3,310,900
September 2005	45.41	38.07	3,950,200	September 2005	39.13	32.26	2,773,100
October 1 to 2, 2005	—	—	—	October 1 to 2, 2005	—	—	—

7. DIRECTORS AND OFFICERS

Listed below is certain information about the current directors of Gildan. The directors have served in their respective capacities since their election and/or appointment and will continue to serve until the next annual meeting of shareholders or until a successor is duly elected.

Name and Municipality of Residence	Age	Principal Occupation	Director Since
Robert M. Baylis (2)(3)(4) Darien, Connecticut, United States.	67	Corporate Director	February 1999
Glenn J. Chamandy Montreal, Québec, Canada.	44	President and Chief Executive Officer of the Corporation	May 1984
William H. Houston, III (2)(3) Memphis, Tennessee, United States.	71	President, World Trade Link (an international business consulting firm)	November 1997
Sheila O'Brien (2)(3) Calgary, Alberta, Canada.	58	Special Advisor on student life to the President of the University of Calgary	June 2005
Pierre Robitaille(1)(2) St-Lambert, Québec, Canada.	62	Business Advisor and Corporate Director	February 2003
Gerald H.B. Ross(1)(3) Montreal, Québec, Canada.	61	Executive in Residence of the Faculty of Management, McGill University	February 2003
Richard P. Strubel (1)(3) Chicago, Illinois, United States.	66	Vice Chairman and Director of Cardean Learning Group (a provider of advanced education over the Internet) Chairman of Broadspan Capital	February 1999
Gonzalo F. Valdes-Fauli(1)(2) Key Biscayne, Florida, United States.	59	(an investment banking firm specializing in financial advisory services)	October 2004

(1) Member of the Audit and Finance Committee.

(2) Member of the Corporate Governance Committee.

(3) Member of the Human Resources and Compensation Committee.

(4) Chairman of the Board.

Listed below is certain information about the current executive officers of Gildan.

Name and Municipality of Residence	Age	Position held within the Corporation
Glenn J. Chamandy (1) (2) Montreal, Québec, Canada.	44	President, Chief Executive Officer and Director
Laurence G. Sellyn (1) (2) Beaconsfield, Québec, Canada.	56	Executive Vice-President, Chief Financial and Administrative Officer
Michael R. Hoffman (1) St. James, Barbados.	43	President, Gildan Activewear SRL
Georges Sam Yu Sum (1) (2) Montreal, Québec, Canada.	48	Executive Vice-President, Operations
Gregg Thomassin (1) (2) Baie D'Urfé, Québec, Canada.	46	Executive Vice-President, Corporate Controller and Chief Information Officer
Benito Masi (1) (2) Laval, Québec, Canada.	50	Executive Vice-President, Manufacturing
Peter Iliopoulos(2) Montreal, Québec, Canada.	36	Vice-President, Taxation
Shaun Parmar`(2) Montreal, Québec, Canada.	39	Vice-President, Business Development

(1) Executive Management Committee.

(2) Officers of the Corporation.

Glenn J. Chamandy is one of the founders of the Corporation and has been involved in various Chamandy family textile and apparel businesses for over twenty years. Prior to February 2004, Mr. Chamandy held the position of President and Chief Operating Officer. He was then named President and Co-Chief Executive Officer and, in August 2004, he was appointed to the position of President and Chief Executive Officer.

Robert M. Baylis, Chairman of the Board of the Corporation, serves as a director of several large corporations, including the New York Life Insurance Company, Host Marriott Corporation (luxury hotels and resorts), Covance Inc. (drug development products and services provider), and PartnerRe Ltd. (multi-line reinsurance provider).

William H. Houston, III is President of World Trade Link, an international business consulting firm he founded in 1988. Mr. Houston served as U.S. Ambassador/Chief Textile Negotiator for the United States Trade Representative during 1987 and 1988, and is a Past President of the Cotton Foundation and the Delta Council of Mississippi.

Sheila O'Brien is Special Advisor on student life to the President of the University of Calgary. Ms. O'Brien previously pursued her career at NOVA Chemicals Corporation, a producer of commodity plastics and chemicals, where from 1995 to 2004 she held various positions leading to Senior Vice-President, Human Resources, Public Affairs, Investor and Government Relations. Ms. O'Brien also serves on the boards of directors of MaRS (Medical and Related Sciences), a research and development centre to promote research in life sciences, and Vartana, a Calgary-based innovative bank concept to support voluntary sector organizations.

Pierre Robitaille is a business advisor. Mr. Robitaille previously pursued his career at SNC-Lavalin Group Inc., an engineering-construction firm, where he was Executive Vice-President and Chief Financial Officer from 1990 to 1998. Prior to this, Mr. Robitaille was in public practice for more than twenty years with the public accounting and management consulting firm of Ernst & Whinney, where he held the positions of Managing Partner of the Montreal office, President of the firm in Québec, and member of its national board of directors. Mr. Robitaille also serves on the board of directors of Cogeco Cable Inc. and Cogeco Inc. (providers of cable TV, Internet and broadcast services), Swiss Re Company of Canada and Swiss Re Life & Health Co. Canada (global reinsurance company).

Gerald H.B. Ross is Executive in Residence of the Faculty of Management of McGill University, where from August 2000 until January 1, 2005, he was Dean of the Faculty of Management. Prior to joining McGill University, Dr. Ross was senior partner of Change Lab International, a consultancy specializing in helping organizations create new strategic directions and manage change.

Richard P. Strubel is Vice Chairman and Director of Cardean Learning Group, a provider of advanced education over the Internet. Mr. Strubel also serves on the board of directors of the Northern Funds and Northern Institutional Funds of The Northern Trust (financial services provider) and the mutual funds of Goldman Sachs & Co.

Gonzalo F. Valdes-Fauli is Chairman of Broadspan Capital, an investment banking firm specializing in financial advisory services. Mr. Valdes-Fauli retired from Barclays Bank PLC (a major UK-based global bank) in 2001 when he held the position of Vice Chairman, Barclays Capital, and Group CEO Latin America. Mr. Valdes-Fauli serves on the board of directors of Blue Cross and Blue Shield of Florida (health insurance provider), Knight Ridder, Inc. (newspaper and Internet publishing) and as Chairman of Republic Bank (financial services provider), Dominican Republic. He is also Trustee Emeritus of the University of Miami.

Laurence G. Sellyn was appointed to the position of Executive Vice-President, Chief Financial and Administrative Officer of the Corporation in November 2005. He joined Gildan as Executive Vice-President, Finance and Chief Financial Officer of the Corporation in April 1999. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Prior to joining Gildan, Mr. Sellyn served as Senior Vice-President, Finance and Corporate Development and Chief Financial Officer of Wajax Limited, an industrial distribution company, where he was employed from October 1992 to March 1999. Prior to joining Wajax, he was employed by Domtar Inc., where he held various positions, including Corporate Controller and Vice-President, Business Planning and Development.

Michael R. Hoffman joined Gildan in November 1997. He served as Vice-President, Sales and Marketing for the international division until his appointment as President of Gildan Activewear SRL in February 2001. Prior to joining Gildan, Mr. Hoffman was employed by Fruit of the Loom, Inc., where he last served as Divisional Vice-President of the Activewear Division.

Georges Sam Yu Sum has been Executive Vice-President, Operations of the Corporation since 2000. From 1998 to 2000, he served as Vice-President, Operations of the Corporation and from 1995 to 1998, he served as Director of Operations of the Corporation. Prior to joining Gildan in 1995, Mr. Sam Yu Sum spent sixteen years with Dominion Textiles, where he served in various managerial capacities, from manufacturing to sales.

Gregg Thomassin was appointed to the position of Executive Vice-President, Corporate Controller and Chief Information Officer of the Corporation in November 2003. He joined Gildan as Corporate Controller in February 1999. He previously held the position of Vice-President, Finance and Administration with various manufacturing companies.

Mr. Thomassin is a Canadian Chartered Accountant.

Benito Masi has been involved in apparel manufacturing in North America for the past twenty-five years. He joined Gildan in 1986, where he held various positions. He was appointed Vice-President, Apparel Manufacturing in February 2001 and his title was changed to Vice-President, Corporate Apparel Operations in September 2003. In August 2004, he was appointed Executive Vice-President, Apparel Manufacturing and was appointed Executive Vice-President, Manufacturing in January 2005.

Peter Iliopoulos has served as Vice-President, Taxation of the Corporation since February 2004. He joined Gildan as Director, Taxation in July 2002. Prior to joining Gildan, Mr. Iliopoulos held the position of Director, Taxation with a public manufacturing company and a mutual fund company. Mr. Iliopoulos is a Canadian Chartered Accountant.

Shaun Parmar joined Gildan in January 2005 as Vice-President, Business Development. Prior to joining Gildan, Mr. Parmar served as Director, Corporate Development of Telesystem International Wireless Inc. from 1999 to 2004. From 1995 to 1998, he was employed by Bell Canada International Inc. as Director, Financial Planning & Analysis. Mr. Parmar is a Certified General Accountant.

As at December 15, 2005, the executive officers and directors of the Corporation as a group own 5,663,096 Common Shares, which represents 9.44% of the voting rights attached to all Common Shares.

8. AUDIT COMMITTEE DISCLOSURE

Mandate of the Audit and Finance Committee

The mandate of the Audit and Finance Committee is included herewith as Appendix A.

Composition of the Audit and Finance Committee

The Audit and Finance Committee is composed of four independent and financially literate directors, as those terms are defined in the rules of the Canadian Securities Administrators and the U.S. Securities and Exchange Commission as well as the standards of the NYSE. Their education and experience that is relevant to the performance of their responsibilities as members of the Audit and Finance Committee is as follows:

Pierre Robitaille — Mr. Robitaille, who holds an FCA designation, is a business advisor and corporate director. He is retired from SNC-Lavalin Group Inc., where he was Executive Vice-President and Chief Financial Officer from 1990 to 1998. Prior to this, Mr. Robitaille was in public practice for more than twenty years with the public accounting firm of Ernst & Whinney, where he held the positions of Managing Partner of the Montreal office, President of the firm in Québec and member of the firm's national board of directors. Mr. Robitaille is a member of the board of directors and the audit committee of Cogeco Inc. and Cogeco Cable Inc. He is also a member of the board of directors of Swiss Reinsurance Canada Group. Over the course of his career, he has acquired competence in the audit of major public and private companies and a familiarity with internal controls and financial reporting procedures.

Dr. Gerald H.B. Ross — Dr. Ross is Executive in Residence of the Faculty of Management of McGill University, where from August 2000 until January 1, 2005, he was Dean of the Faculty of Management. Prior to joining McGill, he was founder and senior partner of Change Lab International, a consulting organization specialized in the development of techniques to assist organizations in building new visions and managing change to create competitive advantage in the marketplace. He is also Chairman of Astute Inc., an organization that develops advanced context-based learning methodologies for business. During his consulting career, Dr. Ross has worked with some of the world's premier corporations, such as 3M, Xerox, IBM, DuPont, AT&T, Coca-Cola, Reuters and Kodak. Dr. Ross' recent academic appointments include serving as a faculty member on the Wharton International Forum Executive Program on Cross Cultural Issues in Global Management. He also works with the University of Michigan's Executive Education Program and has delivered programs on managing change to the banking industry in Saudi Arabia.

Richard P. Strubel — Mr. Strubel is Vice Chairman and Director of Cardean Learning Group. He also served as President and Chief Executive Officer of Microdot Inc., a manufacturing corporation with sales of $400 million. Previously, he was president of Northwest Industries, then a New York Stock Exchange company with sales in excess of $3 billion. Mr. Strubel is a trustee of all the institutional and retail mutual funds managed by Goldman, Sachs & Co., as well as the institutional funds of the Northern Trust Company and serves as a member of the audit committees of these mutual fund families. He is a member of the board of trustees of the University of Chicago. Mr. Strubel has more than twenty-five years of experience in executive positions overseeing large operating corporations. He was educated at Williams College and Harvard Business School.

Gonzalo F. Valdes-Fauli — Mr. Valdes-Fauli is a retired Vice-Chairman of Barclays Capital, the investment banking division of Barclays Bank, London, England. Mr. Valdes-Fauli served as a member of the management committee of Barclays Capital from 1988 to 2001. He was Group Chief Executive of Barclays Bank Latin America from 1988 to 2001. He is Chairman of Broadspan Capital, LLC and Chairman of Republic Bank, Dominican Republic. Mr. Valdes-Fauli currently serves on the boards of directors of other companies, including Blue Cross Blue Shield of Florida and Knight Ridder, Inc., where he is respectively Chairman of the Corporate Governance Committee and Chairman of the Audit Committee. Mr. Valdes-Fauli is a Trustee Emeritus of the University of Miami. He has more than thirty years experience in finance. He holds a Master's Degree in international finance from Thunderbird Graduate School for International Management and a Bachelor of Science Degree in economics from Spring Hill College.

Pre-Approval of Non-audit Services

In accordance with the Canadian Institute of Chartered Accountants' independence standards for auditors, the *Sarbanes-Oxley Act of 2002* and rules of the U.S. Securities and Exchange Commission, the Corporation is restricted from engaging the auditors to provide certain non-audit services to the Corporation and its subsidiaries, including bookkeeping or other services related to the accounting records or financial statements, information technology services, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit. The Corporation does engage the auditors from time to time to provide certain non-audit services other than the restricted services. All non-audit services must be specifically pre-approved by the Audit and Finance Committee.

External Auditor Service Fees

The aggregate fees billed by KPMG LLP, Chartered Accountants ("KPMG"), the Corporation's external auditor, for various audit-related and non-audit services rendered for the fiscal years 2005 and 2004 were as follows:

Audit Fees — The aggregate audit fees billed by the auditor for professional services rendered for the annual audit of the Corporation's consolidated financial statements, quarterly reviews of the Corporation's financial statements and services provided in connection with statutory and regulatory filings or engagements were Cdn$687,287 for fiscal 2005 and Cdn$611,250 for fiscal 2004.

Audit-Related Fees — The aggregate audit-related fees billed by the auditor were Cdn$74,700 for fiscal 2005 and Cdn$55,042 for fiscal 2004. These services consisted of miscellaneous assurance services.

Tax Fees — The aggregate tax fees billed by the auditor were Cdn$262,659 for fiscal 2005 and Cdn$218,505 for fiscal 2004. These services consisted of tax compliance, including the review of tax returns, assistance regarding income, capital and sales tax audits, the preparation of employee tax returns under the Corporation's expatriate tax service program and the preparation of annual transfer pricing studies and tax advisory services relating to domestic and international taxation.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were Cdn$3,178 for fiscal 2005 for services associated with the assistance of statutory filing requirements and were nil for fiscal 2004.

9. LEGAL PROCEEDINGS

The Corporation is a party to claims and litigation arising in the normal course of its operations. Management does not expect the resolution of these matters to have a materially adverse effect on the financial position or results of operations of the Corporation.

10. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Computershare Investor Services Inc., having offices in Montreal and Toronto at which the register of transfer of the Common Shares is held. The co-transfer agent and co-registrar of the Corporation is Computershare Trust Company, Inc., having an office in New York.

11. MATERIAL CONTRACTS

The Corporation has not entered into any material contracts outside the ordinary course of business.

12. INTERESTS OF EXPERTS

KPMG, the external auditors of the Corporation, reported on the fiscal 2005 audited consolidated financial statements of the Corporation (the "Financial Statements"), which were filed with the securities regulatory authorities. KPMG had no registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or any of the Corporation's associates or affiliates when it prepared the report on the Financial Statements, or after such time, nor does it expect to receive any such securities or other property.

13. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for insurance under the Corporation's equity compensation plans is

contained in the Circular, and additional financial information is provided in the Corporation's comparative consolidated financial statements and management's discussion and analysis for its most recently completed financial year, both of which are contained in the 2005 Annual Report.

Copies of these documents and additional information relating to Gildan may be found on the SEDAR website at www.sedar.com and the Edgar website at www.sec.gov and may also be obtained upon request to the Secretary of Gildan at the following address:

725 Montée de Liesse
Montreal, Québec
H4T 1P5
Telephone: (514) 735-2023

The documents mentioned above, as well as Gildan's news releases, are also available on the Corporation's website at www.gildan.com.

APPENDIX A — MANDATE OF THE AUDIT AND FINANCE COMMITTEE

The following description of the mandate of the Audit and Finance Committee of the Corporation complies with applicable Canadian laws and regulations, such as the rules of the Canadian Securities Administrators, and with the disclosure and listing requirements of the Toronto Stock Exchange (collectively, the "**Canadian Corporate Governance Standards**"), as they exist on the date hereof. In addition, this mandate complies with applicable U.S. laws, such as the *Sarbanes-Oxley Act of 2002*, and rules and regulations adopted thereunder, and with the New York Stock Exchange's corporate governance standards (collectively, the "**US Corporate Governance Standards**"), as they exist on the date hereof. The mandate of the Audit and Finance Committee of the Corporation (the "**Audit Committee**") shall be reviewed annually by the Board in order to ensure on-going compliance with such standards.

1. Membership and Quorum

- a minimum of three directors;
- only "independent" (as contemplated by Canadian Corporate Governance Standards and US Corporate Governance Standards) directors shall be appointed, the whole as determined by the Board; no affiliate of the Corporation or any of its subsidiaries (including any person who, directly or indirectly, controls or is controlled by, or is under common control with the Corporation, or any director, executive officer, partner, member, principal or designee of such affiliate) may serve on the Audit Committee; a member of the Audit Committee shall receive no compensation from the Corporation or any of its affiliates other than compensation as a director and committee member of the Corporation; prohibited compensation includes fees paid, directly or indirectly, for services as a consultant or as legal or financial advisor, regardless of the amount;
- each member must be "financially literate" (as contemplated by Canadian Corporate Governance Standards and US Corporate Governance Standards), as determined by the Board;
- at least one member must be an "audit committee financial expert" (as contemplated by US Corporate Governance Standards), as determined by the Board;
- members of the Audit Committee shall be appointed annually by the Board upon recommendation of the Corporation's Corporate Governance Committee; such members may be removed or replaced, and any vacancies on the Audit Committee shall be filled by the Board upon recommendation of the Corporation's Corporate Governance Committee; membership on the Audit Committee shall automatically end at such time the Board determines that a member ceases to be "independent" as determined in the manner set forth above;
- quorum of majority of members.

2. Frequency and Timing of Meetings

- normally contemporaneously with the Corporation's Board meetings;
- at least four times a year and as necessary.

3. Mandate

The responsibilities of the Audit Committee include the following:

(a) *Overseeing financial reporting*

- monitoring the integrity and quality of the Corporation's accounting and financial reporting process, disclosure controls and procedures, and systems of internal control, through independent discussions with management, the external auditors and the internal auditors;
- reviewing, with management and the external auditors, the annual audited consolidated financial statements as well as the report of the auditors thereon to be included in the Annual Report of the Corporation, including the Corporation's MD&A disclosure, prior to their release, filing and distribution;
- reviewing, with management and the external auditors, quarterly consolidated financial statements of the Corporation and accompanying information including the Corporation's MD&A disclosure, prior to their release, filing and distribution;
- reviewing with management and external auditors the financial information contained in prospectuses, offering memoranda, Annual Information Form, Annual Report, Management Proxy Circular, Forms 6-K (including Supplemental Disclosure) and 40-F and any other document required to be disclosed or filed by the Corporation before their public disclosure or filing with regulatory authorities in Canada or the United States of America;
- reviewing, with management, the level and type of financial information provided from time to time, to financial markets, including any earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assessing the adequacy of those procedures;
- reviewing, with the external auditors and management, the quality, appropriateness and disclosure of the Corporation's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
- reviewing any analysis or other written communications prepared by management, the internal auditors or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effect of alternative generally accepted accounting principles methods;
- reviewing the external auditors' quarterly review engagement report;
- reviewing the compliance of management certification of financial reports with applicable legislation;
- reviewing the potential impact of any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Audit Committee;
- reviewing the results of the external audit, any significant problems encountered in performing the audit, and management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein;
- reviewing at least annually the Corporation's communications policy and monitoring the Corporation's communications with analysts, investors, the media and the public.

(b) *Monitoring risk management and internal controls*

- receiving periodically management's report assessing the adequacy and effectiveness of the Corporation's disclosure controls and procedures and systems of internal control;
- reviewing insurance coverage (annually and as may otherwise be appropriate);
- taking reasonable measures to ensure that appropriate systems are in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities;
- reviewing policy parameters for normal derivative transactions to hedge interest rate and foreign exchange risks and any transaction not within the parameters;
- assisting the Board with the oversight of the Corporation's compliance with, and reviewing the Corporation's processes to ensure compliance with, applicable legal and regulatory requirements;
- while ensuring confidentiality and anonymity, establishing procedures for the receipt, retention and treatment of complaints or concerns received by the Corporation regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters;
- requesting the performance of any specific audit, as required.

(c) Monitoring internal auditors

- ensuring that the internal auditors have a functional reporting relationship with the Audit Committee;
- ensuring that the internal auditors have access to all levels of management in order to carry out their duties;
- regularly monitoring the internal audit function's performance, its responsibilities, staffing and budget;
- approving the appointment and termination of the Corporation's chief internal auditor;
- ensuring that the internal auditors are accountable to the Audit Committee and to the Board.

(d) Monitoring external auditors

- recommending the retention and, if appropriate, the removal of external auditors (both subject to shareholder approval), their compensation, as well as evaluating and monitoring their qualifications, performance and independence;
- overseeing all relationships between the external auditors and the Corporation including, determining which non-audit services the external auditors are prohibited from providing, approving, or pre-approving policies defining audit and permitted non-audit services provided by the external auditors, overseeing the disclosure of all audit and permitted non-audit services provided by the external auditors, and reviewing the total amount of fees paid by the Corporation to the external auditors for all audit and non-audit services;
- ensuring that the external auditors report directly to the Audit Committee and that they are accountable to the Audit Committee and to the Board;

- directly overseeing the external auditors and discussing with them the quality and not just the acceptability of the Corporation's accounting principles, including (i) all critical accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with management, the ramification of their use and the treatment preferred by the external auditors, as well as (iii) any other material written communications between the Corporation and the external auditors (including any disagreement with management and the resolution thereof);
- reviewing at least annually, a report by the external auditors describing their internal quality-control procedures; any material issues raised by their most recent internal quality-control review of their firm, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by them, to the extent available, and any steps taken to deal with any such issues;
- reviewing at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with the Corporation and confirming their independence, and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;
- reviewing hiring policies for employees or former employees of the Corporation's firm of external auditors;
- taking all reasonable steps to ensure the rotation of lead, concurring and other audit partners, to the extent required by Canadian Corporate Governance Standards and US Corporate Governance Standards.

(e) Reviewing financings

- reviewing the adequacy of the Corporation's financing, including terms and conditions.

(f) Evaluating the performance of the Audit Committee

- ensuring that processes are in place to annually evaluate the performance of the Audit Committee.

Because of the Audit Committee's demanding role and responsibilities, the Board chair, together with the Corporate Governance Committee chair, reviews any invitation to Audit Committee members to join the audit committee of another publicly-listed entity. Where a member of the Audit Committee simultaneously serves on the audit committee of more than three public companies, including the Corporation, the Board determines whether such simultaneous service impairs the ability of such member to effectively serve on the Audit Committee and either requires a correction to the situation or discloses in the Corporation's Management Proxy Circular that there is no such impairment.

As appropriate, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors and set and pay their compensation, and so advise the Board chair and, if appropriate, the external auditors; the Audit Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. In addition, the Corporation will provide appropriate funding for the Audit Committee, including the payment of all outside legal, accounting and other advisors retained by the Audit Committee.

The internal auditors and the external auditors will have at all times a direct line of communication with the Audit Committee. In addition, each must meet separately with the Audit Committee, without management, twice a year and more frequently as required, during which the Corporation's financial statements and control environment must be discussed; the Audit Committee must also meet separately with management twice a year, and more frequently as required.

The Audit Committee shall report annually to the Board on the adequacy of its mandate. In addition, the chair of the Audit Committee shall report regularly to the Board on the business of the Audit Committee.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under

statutory or regulatory requirements for the directors or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members may have financial experience, they do not have the obligation to act as auditors or to perform auditing, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditors and the external auditors. Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditors. The Audit Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Corporation's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles.

* * * * * * *

A. Undertaking

Gildan Activewear Inc. (the "Registrant") undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Securities and Exchange Commission ("SEC"), and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X in connection with the Class A Subordinate Voting Shares (now Common Shares).

C. Disclosure Controls and Procedures

The Registrant's President and Chief Executive Officer and the Registrant's Executive Vice-President, Finance and Chief Financial Officer, after evaluating the effectiveness of the Registrant's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of October 2, 2005, have concluded that, as of such date, the Registrant's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Registrant and its consolidated subsidiaries would be made known to them by others within those entities.

D. Changes in Internal Control over Financial Reporting

There has been no change in the Registrant's internal controls over financial reporting during the year ended October 2, 2005 that has materially affected, or is reasonably likely to materially affect, the Registrant's internal controls over financial reporting.

E. Audit Committee Financial Experts

The Registrant's board of directors has determined that it has at least two (2) audit committee financial experts serving on its audit committee. Mr. Pierre Robitaille and Mr. Gonzalo F. Valdes-Fauli have been determined to be such audit committee financial experts and are independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Registrant. The SEC has indicated that the designation of Mr. Robitaille and Mr. Valdes-Fauli as audit committee financial experts does not make Mr. Robitaille and Mr. Valdes-Fauli "experts" for any purpose, impose any duties, obligations or liability on Mr. Robitaille and Mr. Valdes-Fauli that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee.

F. Code of Ethics

The Registrant has adopted a Code of Ethics and Business Conduct (the "Code of Conduct") that applies to all employees and officers, including its principal executive officer, principal financial officer and principal accounting officer. The Code of Conduct is available at the Registrant's Internet website, www.gildan.com, and is available in print to any shareholder who requests it.

G. Principal Accountant Fees and Services

In addition to retaining KPMG LLP, Chartered Accountants ("KPMG") to report upon the annual consolidated financial statements of the Registrant, the Registrant retained KPMG to provide various audit-related and non-audit services in fiscal 2005. The aggregate fees billed for professional services by KPMG for each of the last two (2) fiscal years, were as follows:

Audit Fees — The aggregate audit fees billed by KPMG for professional services rendered for the annual audit of the Registrant's consolidated financial statements, quarterly reviews of the Registrant's financial statements and services provided in connection with statutory and regulatory filings or engagements were CDN$687,287 for fiscal 2005 and CDN$611,250 for fiscal 2004.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were CDN$74,700 for fiscal 2005 and CDN$55,042 for fiscal 2004. These services consisted of miscellaneous assurance services.

Tax Fees — The aggregate tax fees billed by KPMG were CDN$262,659 for fiscal 2005 and CDN$218,505 for fiscal 2004. These services consisted of: tax compliance, including the review of tax returns, assistance regarding income, capital and sales tax audits, the preparation of employee tax returns under the Registrant's expatriate tax service program and the preparation of annual transfer pricing studies and tax advisory services relating to domestic and international taxation.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were CDN$3,178 for fiscal 2005 for services associated with the assistance of statutory filing requirements and were nil for fiscal 2004.

All fees billed to the Registrant by KPMG in fiscal 2005 were pre-approved by the Registrant's Audit and Finance Committee pursuant to the procedures and policies set forth in the Audit and Finance Committee mandate and pursuant to applicable legislation. The mandate of the Audit and Finance Committee is available on the Registrant's Internet website at www.gildan.com.

H. Off-Balance Sheet Arrangements

Operating leases and commitments

The Registrant has no commitments that are not reflected in its balance sheets except for operating leases and other purchase obligations, which are included in the table of contractual obligations on page 33 of its MD&A (see Exhibit 99.1). As disclosed in Note 11 to the Registrant's Consolidated Financial Statements (see Exhibit 99.2), the Registrant has issued standby letters of credit and corporate guarantees primarily from various servicing agreements amounting to $19.8 million at October 2, 2005.

Derivative Financial Instruments

From time to time, the Registrant uses forward foreign exchange contracts, primarily in Canadian dollars and Euros, to hedge cash flows related to accounts receivable and accounts payable in foreign currencies (non-U.S. dollar) denominated goods and services. A forward foreign exchange contract represents an obligation to exchange a foreign currency with a counterparty at a predetermined rate. Credit risk exists in the event of failure by a counterparty to meet its obligations. The Registrant reduces this risk by dealing only with highly rated counterparties, normally major North American and European financial institutions. The Registrant's exposure to foreign currency fluctuations is described in more detail in the "Risks" section of its MD&A beginning on page 40 (see Exhibit 99.1).

The Registrant does not use derivative financial instruments for speculative purposes. Forward foreign exchange contracts are entered into with maturities not exceeding twenty-four months.

Gains and losses on forward foreign exchange contracts are recognized through income in the same period as the transactions that are hedged. For the years ended October 2, 2005 and October 3, 2004, net earnings included recognized gains relating to derivative financial instruments of $5.8 million and $0.1 million, respectively.

The following table summarizes the Registrant's commitments to buy and sell foreign currencies as at October 2, 2005 and October 3, 2004:

	Notional Amount (in thousands)	Exchange Rate	Maturity	Notional US dollar Equivalent (in thousands)
2005:				
Sell contracts:				
Foreign exchange contracts:	**€ 9,276**	**1.3450 to 1.3721**	**Oct. 2005 –Sept. 2006**	**$ 12,620**
	£ 4,490	**1.8707 to 1.8909**	**Oct. 2005 –Sept. 2006**	**8,439**
	CDN$2,800	**0.8610**	**Oct. 2005**	**2,410**
Buy contracts:				
Foreign exchange contracts:	**CDN$21,400**	**0.7997 to 0.8216**	**Oct. 2005 - Aug. 2006**	**$ 17,348**
	€ 2,150	**1.2039**	**Oct. 2005**	**2,588**
2004:				
Sell contracts:				
Foreign exchange contracts:	**€ 1,409**	**1.2703 to 1.2717**	**Oct. - Dec. 2004**	**$ 1,791**
	£ 1,002	**1.7970 to 1.8490**	**Oct. - Dec. 2004**	**1,836**
Buy contracts:				
Foreign exchange contracts:	**CDN$38,990**	**0.7251 to 0.7401**	**Oct. 2004 - May 2005**	**$ 28,726**

The fair value of the forward foreign exchange contracts, based on quoted market values, was $3.0 million as at October 2, 2005 and $2.1 million as at October 3, 2004.

I. Tabular Disclosure of Contractual Obligations

See page 33 of Exhibit 99.1.

J. Corporate Governance Guidelines

The Registrant has adopted Corporate Governance Guidelines as well as mandates for its Board of directors and each of its three committees which are available at the Registrant's Internet website, www.gildan.com, and are available in print to any shareholder who requests them.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

DATED: December 22, 2005

GILDAN ACTIVEWEAR INC.

By: /s/ Lindsay Matthews
Name: Lindsay Matthews
Title: Corporate Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	Management's Discussion and Analysis of the Registrant for the year ended October 2, 2005
99.2	Audited comparative consolidated financial statements of the Registrant as at and for the year ended October 2, 2005
99.3	Consent of KPMG LLP
99.4	Officers' Certifications Required by Rule 13a-14(a) or Rule 15d-14(a)
99.5	Officers' Certifications Required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
99.6	Schedule "D" — Statement of Corporate Governance Practices to the Registrant's Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular dated as of December 16, 2005 (incorporated by reference to Exhibit 99.1 of the Registrant's Form 6-K (file no. 001-14830) furnished to the Securities and Exchange Commission on December 23, 2005)

EXHIBIT 99.1

MD&A

Management's Discussion and Analysis of Financial Condition and Results of Operations

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MD&A

Management's Discussion and Analysis of Financial Condition and Results of Operations

The information below should be read in conjunction with the Consolidated Financial Statements and Auditors' Report included in the Company's Annual Report. All financial information contained in this MD&A and the Company's Consolidated Financial Statements has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except for certain information discussed in the paragraph entitled non-GAAP financial measures on page 24 of this MD&A. The effect of significant differences between Canadian and U.S. GAAP is discussed in Note 18 to the Company's Consolidated Financial Statements. All amounts in this report are in U.S. dollars, unless otherwise stated. Gildan Activewear's Audit and Finance Committee and its Board of Directors have reviewed this MD&A to ensure consistency with the approved strategy of the Company.

For additional information relating to the Company, readers may review the documentation filed by the Company with the Canadian Securities Authorities (including the Company's Annual Information Form) available at www.sedar.com and with the U.S. Securities and Exchange Commission (including the Annual Report on Form 40-F) available at www.sec.gov.

In this MD&A, "Gildan", the "Company", or the words "we", "our" and "us" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries.

CORPORATE OVERVIEW

Gildan is a vertically-integrated marketer and manufacturer of premium quality branded basic apparel. The Company manufactures premium quality basic T-shirts, sport shirts and sweatshirts for sale in the wholesale imprinted activewear market. The Company sells its products as blanks, which are ultimately decorated by screenprinters with designs and logos for sale to consumers. Gildan has announced plans to sell its products into the mass-market retail channel, in addition to the screenprint market. In conjunction with this strategy, Gildan is expanding its product-line to include underwear and athletic socks.

To support its sales in the various markets, the Company has modern textile facilities located in Canada, Honduras and the Dominican Republic. The Dominican Republic facilitiy began production in fiscal 2005, and we expect to ramp up this facility to close to full capacity in fiscal 2006. All of the Company's sewing facilities are located in Central America, Mexico and the Caribbean Basin. The Company also utilizes third party contractors to complement its vertically-integrated production.

The Company distributes its products in Canada and the U.S. primarily out of company-owned distribution centres, and uses third party warehouses in Europe and Australia to service its international customers. The corporate head office is located in Montreal, Canada and over 10,000 full-time employees work in the Company's facilities worldwide.

INDUSTRY OVERVIEW

We currently focus on sales of T-shirts, sport shirts, and sweatshirts, in "blank" form, to the wholesale imprinted activewear market. "Imprinted" activewear is decorated with a screenprint or embroidered with a logo, design or character before it reaches the customer. Imprinted activewear is either branded or private label. Branded products reach consumers carrying the manufacturer's label, whereas products sold on a private label basis reach consumers carrying the brand name of the customer.

We believe that growth in the imprinted activewear market has been driven by several trends such as the following:

- continued use of activewear for event merchandising (such as concerts, festivals, etc.);
- continued evolution of the entertainment/sports licensing and merchandising businesses;
- the growing use of activewear for uniform applications;
- the growing use of activewear for corporate promotions;
- continued increase in use of activewear products for travel and tourism;
- an increased emphasis on physical fitness; and
- a greater use and acceptance of casual dress in the workplace.

Furthermore, significant improvements in activewear apparel, ranging from enhanced product characteristics, such as pre-shrunk fabrics, improved fabric weight, blends and construction, to increased product variety, including new sizes, colours and styles, have enhanced consumer appeal.

The screenprint activewear market is characterized by low fashion risk compared to many other apparel markets. While opportunity exists for product differentiation, demand is generally not driven by fashion trends or fads.

FINANCIAL OBJECTIVES AND STRATEGY

We believe that our focus on low-cost manufacturing, our customer relationships and our reputation for premium consistent quality are the reasons we have been able to rapidly increase our market presence and establish our market leadership in the imprinted sportswear market. Our strategy is composed of the following principal components:

- Increase market share in the U.S. distributor market in all current product categories;
- Make a gradual entry into retail markets, building a solid base from which to drive significant brand penetration;
- Increase market penetration in Europe and other international markets; and
- Support unit sales growth and maintain pricing competitiveness through significant and continued investments in low-cost production capacity.

In fiscal 2005, the Company announced that, in addition to ramping up its Dominican Republic facility, it plans to construct two new facilities at its Rio Nance site in Honduras, one for the manufacture of activewear and underwear, and one for the production of athletic socks. Gildan believes that entry into the athletic sock market represents a significant growth opportunity for the Company, which will complement its overall retail strategy and leverage its existing core competencies and low-cost offshore manufacturing expertise. During the next five years, we expect to invest approximately $425 million in capital expenditures. These investments are also intended to support the Company's gradual entry into the retail market. All of the organic capacity expansions that the Company plans to undertake over the next five years are expected to be financed by internally generated funds.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

We are subject to a variety of business risks that may affect our ability to maintain our current market share and profitability, as well as our ability to achieve our long-term strategic objectives. These risks are described in the "Risks" section of this MD&A beginning on page 40. As well, the nature of the Company's growth strategy involves risks related to certain assumptions underlying unit sales growth, production capacity growth and cost reductions, among others. Notably, our planned growth in market share depends to a significant extent on the successful start-up and ramp-up of new offshore facilities. There can be no assurances that we will achieve our planned market share growth, retail market penetration or capacity increases.

Selected Annual Information

Fiscal years ended October 2, 2005, October 3, 2004 and October 5, 2003
(in thousands of dollars, except earnings per share)

	2005	2004	2003
Sales	**$653,851**	$533,368	$431,195
Cost of sales	**450,570**	378,696	301,341
Gross profit	**203,281**	154,672	129,854
Selling, general and administrative expenses	**74,896**	62,898	48,403
Special charge(1)	**10,726**	—	—
Earnings before the undernoted	**117,659**	91,774	81,451
Depreciation and amortization	**25,615**	22,275	16,088
Interest	**4,615**	6,170	6,419
Non-controlling interest in income of consolidated joint venture	**34**	—	—
Earnings before incomes taxes	**87,395**	63,329	58,944
Income taxes	**1,352**	3,078	5,788
Net earnings	**$ 86,043**	$ 60,251	$ 53,156
Basic EPS(2)	**$ 1.44**	$ 1.02	$ 0.91
Diluted EPS(2)	**1.43**	1.01	0.89
Total assets	**$597,516**	$488,815	$429,494
Total long-term liabilities	**64,068**	66,037	74,794

(1) During the second quarter of fiscal 2005, the Company closed its two Canadian yarn-spinning operations and reported closure costs of $7.0 million net of taxes, as described on page 26. See non-GAAP financial measures on page 24.

(2) All earnings per share data reflects the effect of the stock split as described on page 34.

OPERATING RESULTS 2004-2005

Year ended October 2, 2005, compared with year ended October 3, 2004

Change in Functional and Reporting Currency in Fiscal 2004

Effective October 6, 2003, the Company adopted the U.S. dollar as its functional currency since a significant portion of revenues, expenses, assets and liabilities are denominated in U.S. dollars and the Company's sales and manufacturing operations are increasingly international in scope. Effective the same date, the U.S. dollar was adopted as the Company's reporting currency. This resulted in a translated value for opening inventories and fixed assets that was approximately $23 million higher than the amount that would have resulted from the application of exchange rates prevailing at the dates these assets were manufactured or acquired. This upward revaluation of inventories and fixed assets has been reflected directly in opening shareholders' equity as part of the $26.2 million positive balance of cumulative translation adjustments. These increases result in a corresponding offsetting negative impact on earnings as inventories were consumed and fixed assets are depreciated. During fiscal 2004, an additional $3.3 million was reflected in cost of sales as opening inventories were consumed.

Non-GAAP Financial Measures

The operating results of Gildan account for unusual items affecting the comparability of its results. To measure its performance from one period to the next, without the variations caused by the adjustments due to the change in functional currency described above and the charges described on page 26, management uses certain measures that are not defined by GAAP, such as: gross margins excluding the impact of the change in functional currency, selling, general and administrative expenses excluding special charges and adjusted net earnings and adjusted earnings per share, being net earnings and earnings per share excluding the adjustments due to the change in functional currency and the special charges. Other such measures are free cash flow, total indebtedness and net debt. The Company uses and presents such non-GAAP financial measures because it believes such measures provide meaningful information on the Company's performance and operating results. However, investors should know that such non-GAAP financial measures have no standardized meaning as prescribed by GAAP and may not be comparable to similar measures used and presented by other companies. Accordingly, they should not be considered in isolation.

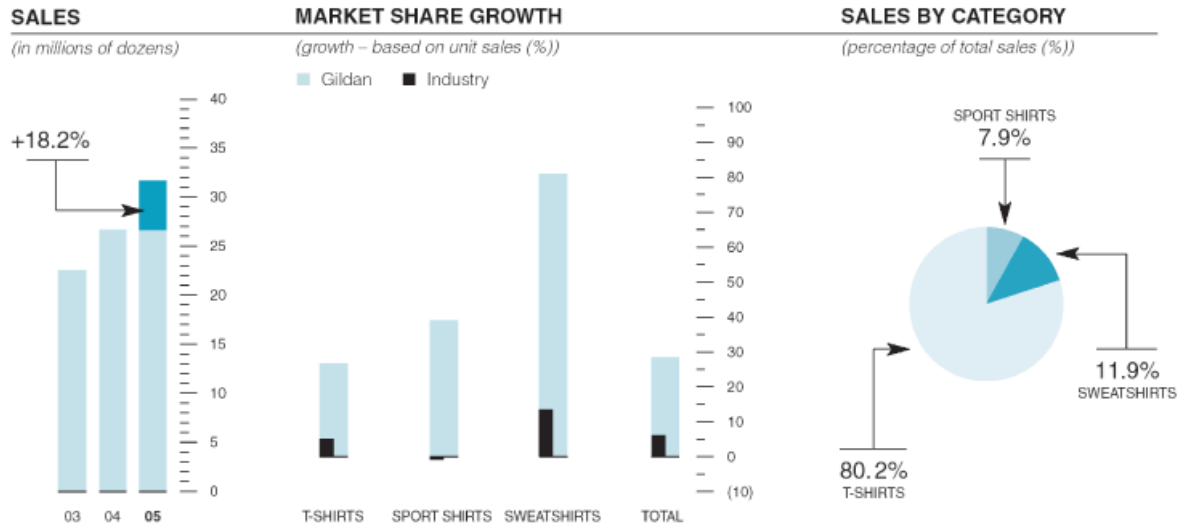
See table on page 43 for a complete reconciliation of all non-GAAP financial measures used and presented by the Company to the most directly comparable GAAP financial measures.

Sales

Sales for fiscal 2005 reached $653.9 million, up 22.6% from $533.4 million in fiscal 2004. The increase in sales was due mainly to an 18.2% increase in unit sales over the prior year, combined with a higher-valued product mix.

The Company provides U.S. market growth and share data for the U.S. wholesale distributor channel based on the S.T.A.R.S. report produced by ACNielsen Market Decisions. The value of the S.T.A.R.S. market growth and share data for the U.S. wholesale distribution market is reduced by non-participation of a major distributor.

With this caveat, unit growth in U.S. industry shipments of T-shirts from distributors to screenprinters grew by 5.2% for the nine months ended September 30, 2005 compared with the first nine months of the previous year. Unit shipments in sweatshirts for the industry increased for the first nine months of the calendar year by 14.3% over last year. Industry shipments of sport shirts decreased by 1.0% for the first nine months of calendar 2005.

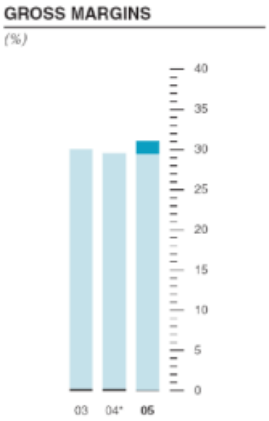


For the same period, unit sales of Gildan T-shirts by U.S. distributors grew by 27.1%, while sales of Gildan sport shirts and sweatshirts grew by 39.2% and 81.1%, respectively, due to increased market share penetration in all three categories in which we compete. The Company built further on its strong market leadership position in the T-shirt category in the United States, with a market share of 36.0%, versus 30.2% a year ago. Gildan continued to achieve significant penetration in the sport shirt and sweatshirt categories, where its market share increased to 32.0% from 23.5% and to 25.0% from 16.1%, respectively.

During fiscal 2005 Gildan continued to expand its European business and maintained a leading market share position in Canada. The Company also introduced its products in Australia during fiscal 2004, with immediate success in achieving market penetration. We are currently utilizing third party logistics companies to service our wholesale distributor business in Europe and Australia.

Gross Margins

Gross profit for fiscal 2005 was $203.3 million or 31.1% of sales, compared to $154.7 million or 29.0% of sales during fiscal 2004. Gross profit in fiscal 2004, excluding the adjustments due to the change in functional currency, was $157.9 million or 29.6% of sales. The increase in gross margin percentage was the result of a higher valued product mix, higher average selling prices, lower raw material costs and ongoing manufacturing efficiencies offset by higher transportation and energy costs and start up inefficiencies for the new Dominican Republic textile facility.

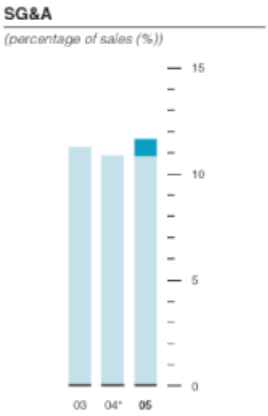


* *Before the impact of the change in functional currency on cost of sales. See non-GAAP financial measures on page 24.*

The Company continued to reduce its overall manufacturing costs by increasing the output from its Honduran textile operations. The Company's Dominican Republic textile facility commenced operations in the third quarter of the current fiscal year and will continue to ramp up capacity in fiscal 2006.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $74.9 million or 11.5% of sales during fiscal 2005, compared to $62.9 million or 11.8% of sales during fiscal 2004. In fiscal 2004, the Company incurred a charge of $4.6 million ($3.2 million net of taxes or $0.05 per share) to satisfy its contractual commitments to H. Greg Chamandy, who stepped down from his role as co-Chief Executive Officer, Chairman of the Board and Chairman of the Executive Committee. Selling, general and administrative expenses excluding this charge were $58.3 million or 10.9% of sales. The increase in fiscal 2005 was mainly due to higher volume-related selling and distribution costs combined with additional costs for the implementation of a new warehouse management system, the stronger Canadian dollar, the overall strengthening of the Company's management and administrative infrastructure to support its growth strategy, and higher performance-related compensation costs.



Special Charge

During the second quarter of fiscal 2005, the Company closed its two Canadian yarn-spinning operations and recognized a charge of $10.7 million before tax ($7.0 million net of taxes or $0.12 per share) for closure costs. A major portion of the Canadian yarn-spinning equipment was transferred to a new facility in Clarkton, North Carolina, which is operated by the Company's joint venture with Frontier Spinning Mills, Inc. The components of the closure costs are as follows:

(in thousands of dollars)	
Writedown of fixed assets	$ 6,783
Employee severance	3,688
Other	255
	$10,726

The Company reduced the carrying value of the remaining fixed assets considered to be held for sale to their fair values. The severance costs were fully paid in the year.

Depreciation and Interest Expenses

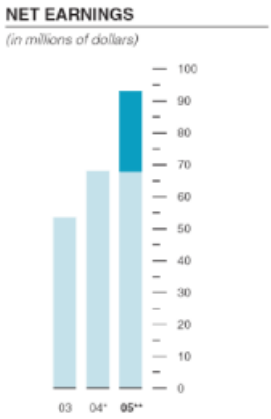
Depreciation and amortization expense was $25.6 million in fiscal 2005, compared to $22.3 million in fiscal 2004. The increase in depreciation expense in fiscal 2005 was the result of the Company's continued investment in capital expenditures to add capacity for long-term sales growth.

* *Before charge for H. Greg Chamandy. See non-GAAP financial measures on page 24.*

Interest expense was $4.6 million during fiscal 2005, down from $6.2 million in fiscal 2004. The decrease in interest expense was the result of the reduction in overall debt following the scheduled principal repayments made on the Company's Senior Notes, offset slightly by the impact of an increase in the long-term debt of the Company's joint venture in fiscal 2005.

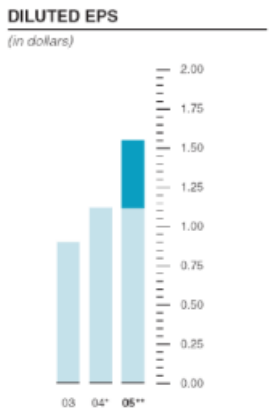
Income Taxes

Income tax expense for the year ended October 2, 2005 included the income tax recovery arising from the special charge for the closure of the Canadian yarn-spinning operations in the second quarter of the fiscal year. Excluding the impact of the income tax recovery due to the closure costs, the income tax provision for the year ended October 2, 2005 was $5.1 million, resulting in an effective income tax rate of 5.2%. In the fourth quarter of fiscal 2004, the charge for the Company's contractual obligations to H. Greg Chamandy resulted in the recognition of a recovery of income taxes at the higher Canadian tax rates. The tax rate for fiscal 2004, excluding the impact of the charge for H. Greg Chamandy and the impact of the change in functional currency on cost of sales, was 6.3%. The decline in the effective tax rate is the result of a higher proportion of international sales compared to prior years, which are taxed at relatively lower rates.



Net Earnings

Net earnings for fiscal 2005 were $86.0 million or $1.43 per diluted share, compared to $60.3 million, or $1.01 per diluted share in fiscal 2004, up respectively 42.6% and 41.6%. Before the special charge for the closure of the Canadian yarn-spinning facilities, net earnings for fiscal 2005 were $93.1 million or $1.55 per share. These results were up 39.5% and 38.4% respectively from net earnings of $66.7 million or $1.12 per share in fiscal 2004, after adjusting last year's earnings for the $3.3 million after-tax impact of the functional currency change on cost of sales as a result of revaluing opening inventories, and the after-tax impact of the charge for the contractual obligations to H. Greg Chamandy. The increase in net earnings on this basis was primarily due to the 22.6% increase in sales revenue together with higher gross margins, partially offset by higher selling, general, administrative and depreciation expenses.



* *Before charge for H. Greg Chamandy and the impact of the functional currency change on cost of sales. See non-GAAP financial measures on page 24.*

** *Before special charge for the closure of the Canadian yarn spinning operations. See non-GAAP financial measures on page 24.*

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Fourth Quarter Results

Gildan reported fourth quarter net earnings of $29.2 million and diluted EPS of $0.48, up respectively 73.6% and 71.4% from the fourth quarter of last year. Earnings in the fourth quarter of fiscal 2005 included an after-tax gain of $0.8 million or $0.01 per share from the sale of equipment pursuant to the closure of the Company's Canadian yarn-spinning facilities in the second quarter of the year. Excluding this gain in fiscal 2005 and a charge in the fourth quarter of fiscal 2004 to satisfy contractual obligations to H. Greg Chamandy, net earnings and diluted EPS increased respectively by 42.0% and 42.4% over the fourth quarter of last year. The increase in fourth quarter net earnings was primarily attributable to continuing strong growth in unit sales volumes and lower costs of cotton, partially offset by higher selling, general and administrative expenses, including some non-recurring items as outlined below, and slightly reduced selling prices.

Sales in the fourth quarter amounted to $180.7 million, up 24.1% from the fourth quarter a year ago, reflecting a 25.2% increase in unit shipments. The growth in unit volumes reflect continuing market share penetration in all categories.

Gross margins in the fourth quarter were 32.3%, compared with 30.9% in the fourth quarter of last year. Gross margins in the fourth quarter of last year included the 1.0% negative impact of closure costs for the El Progreso sewing plant in Honduras. The increase in gross margins was primarily due to lower cotton costs, partially offset by the slight reduction in selling prices. Manufacturing efficiencies and non-recurrence of the prior year El Progreso closure charge were offset by higher energy and transportation costs, start-up inefficiencies in the Dominican Republic textile facility and an increase in reserves for statutory benefits for Honduran employees.

Selling, general and administration expenses were $21.2 million, or 11.7% of sales, compared with $20.7 million, or 14.2% of sales, in the fourth quarter of fiscal 2004. Expenses in the fourth quarter of last year included the $4.6 million charge in relation to the departure of H. Greg Chamandy. Excluding this item, the increase in selling, general and administrative expenses reflected severance costs, an adjustment to the reserve for doubtful accounts, higher distribution expenses, and the impact of the stronger Canadian dollar.

The income tax rate for the three months ended October 2, 2005 was 4.1%. In the fourth quarter of fiscal 2004, an income tax recovery was recorded due to the charge for the Company's contractual obligations to H. Greg Chamandy, which resulted in a recovery of income taxes at higher tax rates. Excluding the impact of the charge in the fourth quarter of fiscal 2004, the income tax rate for the fourth quarter was 5.5%.

In the fourth quarter, the Company generated $30.8 million of free cash flow, defined as cash flow from operating activities less cash used in investing activities, as cash generated from operating activities during the fourth quarter significantly exceeded cash requirements for capital expenditures for capacity expansions.

Summary of Quarterly Results

The following table sets forth certain summarized unaudited quarterly financial data for the periods presented. This data has been derived from the Company's unaudited financial statements that, in the opinion of management, reflect all adjustments necessary for a fair presentation of such quarterly data. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

				2005				2004
(in millions, except per share data)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**$ 180.7**	**$ 198.9**	**$ 165.3**	**$ 109.0**	$ 145.6	$ 168.4	$ 141.4	$ 78.0
Net earnings	**29.2**	**34.1**	**14.3**	**8.4**	16.8	26.2	14.3	2.9
Basic EPS	**0.49**	**0.57**	**0.24**	**0.14**	0.28	0.44	0.24	0.05
Diluted EPS	**0.48**	**0.57**	**0.24**	**0.14**	0.28	0.44	0.24	0.05

The activewear business is seasonal and the Company has historically experienced significant quarterly fluctuations in operating results. Typically, demand for our products is highest in the third quarter of each fiscal year, when distributors purchase inventory for the peak summer selling season, and lowest in the first quarter of each fiscal year. The seasonality of specific product lines is consistent with the results of other companies in the activewear industry and management anticipates that this will continue in the future.

We produce and store finished goods inventory in the first half of the fiscal year in order to meet the expected demand for delivery in the second half of the fiscal year. However, if after producing and storing inventory in anticipation of third and fourth quarter deliveries, demand is significantly less than expected, a risk inherent in our business is that we may be required to hold inventory for an extended period of time at our expense, or sell the excess inventory at reduced prices, thereby reducing profits. This risk is mitigated by the low risk of obsolescence inherent in undecorated apparel, and the Company's increasing market diversification.

Recap of Fiscal 2005 Guidance

The Company's original diluted EPS guidance for the 2005 fiscal year, excluding the special charge for the closure costs relating to the Canadian yarn-spinning facilities as described on page 26, was approximately $1.30 per share, up 29.0% from reported diluted EPS for fiscal 2004. This guidance was based on an estimated 20% unit volume growth primarily due to continued market share penetration in all categories the Company competes in, and the assumption that lower raw material costs, particularly in the second half of the year, would be passed into lower selling prices.

On April 6, 2005, the Company increased its guidance for fiscal 2005 diluted EPS to approximately $1.40 per share, before the special charge. The increase in diluted EPS was primarily attributable to more favourable selling price realizations for Gildan's products, together with more favourable product mix.

On July 12, 2005, the Company further increased its diluted EPS guidance for fiscal 2005 to $1.50 per share, before the special charge. The increase in the projected diluted EPS for the second half of fiscal 2005 was due to higher than anticipated selling prices, more favourable product mix and lower manufacturing costs.

In September 2005, the Company reconfirmed that it expected to achieve or exceed its most recent diluted EPS guidance of $1.50 per share, before the special charge.

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The Company's actual diluted EPS for fiscal 2005 was $1.43, or $1.55 excluding the impact of the charge for the closure of the Canadian yarn-spinning operations described on page 26. The increase over the September guidance was due to more favourable than anticipated selling prices and product mix in the fourth quarter.

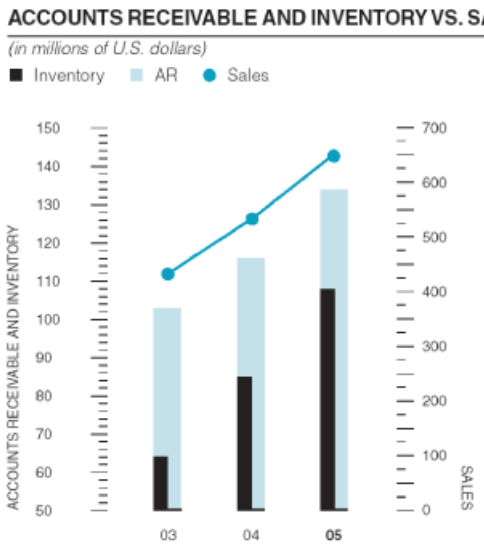
Balance Sheets

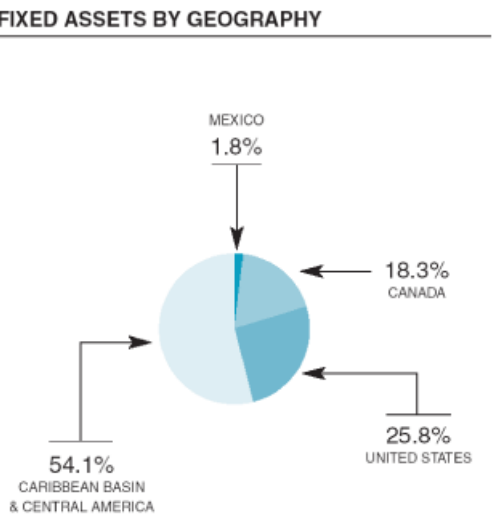
On October 2, 2005, the Company's accounts receivable were $108.6 million compared to $85.3 million at the end of fiscal 2004. The increase was due to a 24.1% increase in sales in the fourth quarter over the prior year. Inventory levels increased by $18.3 million to $134.9 million on October 2, 2005, from $116.6 million at the end of fiscal 2004. The increase was primarily the result of an increase in finished goods inventories that are required to meet our anticipated sales demand in fiscal 2006. Net capital expenditures for fiscal 2005 were $86.1 million. The major capital investment projects include the new textile facility in the Dominican Republic, the expansion of our U.S. distribution facility, the addition of new sewing facilities and the new joint venture yarn-spinning facility with Frontier Spinning Mills, Inc.

Total assets were $597.5 million on October 2, 2005, compared to $488.8 million at the end of the previous year. Working capital was $214.9 million compared to $178.8 million on October 3, 2004. The current ratio at the end of fiscal 2005 and 2004 was 2.9:1.

Liquidity and Capital Resources

The Company has in recent years funded its operations and capital requirements with cash generated from operations. A revolving credit facility has been periodically utilized to finance seasonal peak working capital requirements. The Company's primary capital needs on an ongoing basis are related to capital expenditures for new manufacturing facilities, inventory financing, accounts receivable funding, the remaining scheduled annual repayments of principal on our Senior Notes over the next two years along with servicing the interest payments.





As a result of the seasonal nature of the apparel business, working capital requirements are variable throughout the year. The Company's need for working capital typically grows throughout the first two quarters as inventories are built up for the peak selling period in the third quarter.

Cash flow from operating activities for the year ended October 2, 2005 was $92.3 million, compared to $58.9 million for the previous year. Free cash flow(1) amounted to $9.4 million in fiscal 2005 compared to $5.1 million in fiscal 2004. The increase in free cash flow is the result of increased operating earnings partially offset by higher capital expenditures.

The Company ended fiscal 2005 with cash and cash equivalents of $69.8 million compared to $60.7 million at the end of fiscal 2004. At the end of both fiscal 2004 and fiscal 2005, none of the Company's revolving bank facility was utilized. Bank indebtedness included in our Consolidated Financial Statements at the end of fiscal 2005 is attributable to the Company's joint venture. Total indebtedness(2) at October 2, 2005 amounted to $51.1 million compared to $56.6 million at October 3, 2004. The decline in total indebtedness is mainly due to the second scheduled principal repayment of $17.5 million on our Senior Notes which was made on June 10, 2005, partially offset by an increase in the long-term debt of the Company's joint venture.

Anticipated sales growth in 2006 will result in increased working capital requirements mainly to finance trade accounts receivable and inventory. For fiscal 2006, the Company expects to incur approximately $105 million in capital expenditures. Due to its anticipated cash flow from operating activities, together with its unutilized bank credit facility, the Company expects to continue to have sufficient liquidity and capital resources in fiscal 2006 to fund its working capital requirements, capital expenditures and the June 2006 principal repayment on its Senior Notes.

In the past, the Company has not paid a dividend in order to maximize its flexibility to finance its ongoing growth and expansion. The Board of Directors periodically re-evaluates the merits of introducing a dividend.

The Company has obtained approval from the Toronto Stock Exchange to renew its normal course issuer bid in order to repurchase a maximum of 1,000,000 common shares in the open market commencing December 22, 2005 and ending December 21, 2006. This represents less than 2.0% of the total common shares issued and outstanding. No shares had been repurchased under the previous bid.

Off-Balance Sheet Arrangements

Operating Leases

We have no commitments that are not reflected in our balance sheets except for operating leases and other purchase obligations, which are included in the table of contractual obligations on page 33 of this MD&A. As disclosed in Note 11 to our Consolidated Financial Statements, we have issued standby letters of credit and corporate guarantees primarily from various servicing agreements amounting to $19.8 million at October 2, 2005.

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(1) Cash flow from operating activities less cash used in investing activities. See non-GAAP financial measures on page 24.

(2) Total indebtedness. See non-GAAP financial measures on page 24.

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Derivative Financial Instruments

From time to time, the Company uses forward foreign exchange contracts, primarily in Canadian dollars, British pounds and Euros, to hedge cash flows related to sales and operating expenses denominated in foreign currencies (non-U.S. dollar). A forward foreign exchange contract represents an obligation to exchange a foreign currency with a counterparty at a predetermined rate. Credit risk exists in the event of failure by a counterparty to meet its obligations. The Company reduces this risk by dealing only with highly rated counterparties, normally major European and North American financial institutions. The Company's exposure to foreign currency fluctuations is described in more detail in the "Risks" section of this MD&A.

The Company does not use derivative financial instruments for speculative purposes. Forward foreign exchange contracts are entered into with maturities not exceeding twenty-four months.

Gains and losses on forward foreign exchange contracts are recognized in income in the same period as the transactions that are hedged. For the years ended October 2, 2005 and October 3, 2004, net earnings included recognized gains relating to derivative financial instruments of $5.8 million and $0.1 million, respectively, which primarily related to hedging activities.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at October 2, 2005 and October 3, 2004:

	Notional amount	Exchange rate	Maturity	Notional U.S. dollar equivalent
2005:				
Sell contracts:				
Foreign exchange contracts:	**€ 9,276**	**1.3450 to 1.3721**	**Oct. 2005 - Sept. 2006**	**$ 12,620**
	£ 4,490	**1.8707 to 1.8909**	**Oct. 2005 - Sept. 2006**	**8,439**
	CA $ 2,800	**0.8610**	**Oct. 2005**	**2,410**
Buy contracts:				
Foreign exchange contracts:	**CA $21,400**	**0.7997 to 0.8216**	**Oct. 2005 - Aug. 2006**	**$ 17,348**
	€ 2,150	**1.2039**	**Oct. 2005**	**2,588**
2004:				
Sell contracts:				
Foreign exchange contracts:	€ 1,409	1.2703 to 1.2717	Oct. - Dec. 2004	$ 1,791
	£ 1,002	1.7970 to 1.8490	Oct. - Dec. 2004	1,836
Buy contracts:				
Foreign exchange contracts:	CA $38,990	0.7251 to 0.7401	Oct. 2004 - May 2005	$ 28,726

The fair value of the forward foreign exchange contracts, based on quoted market value, is $3.0 million and $2.1 million as at October 2, 2005 and October 3, 2004, respectively.

Contractual Obligations

In the normal course of business, the Company enters into contractual obligations that will require it to disburse cash over future periods. The following table sets forth the Company's contractual obligations for the following items as at October 2, 2005:

Payments Due by Period

(in millions)	**Total**	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Long-term debt	**$ 47.0**	$ 19.7	$ 21.9	$ 3.6	$ 1.8
Fixed interest payments	**4.3**	3.0	1.3	—	—
Capital lease obligations	**0.2**	0.2	—	—	—
Operating leases	**29.9**	7.3	7.0	5.0	10.6
Purchase obligations	**116.5**	116.5	—	—	—
Other long-term obligations	**43.4**	43.4	—	—	—
Total contractual obligations	**$ 241.3**	$ 190.1	$ 30.2	$ 8.6	$ 12.4

Management expects that cash flow from its operating earnings, together with its year-end cash balances and unutilized bank facilities, will be sufficient to meet foreseeable cash needs for fiscal 2006.

Outlook

The Company expects to achieve diluted EPS of approximately $1.85 per share for fiscal 2006, based on sales growth of approximately 20% and an assumed reduction in average selling prices of approximately 1.5%. This represents diluted EPS growth of 29.4% over fiscal 2005 reported EPS, and 19.4% growth over fiscal 2005 adjusted EPS of $1.55 per diluted share. The Company's unit sales projection for fiscal 2006 assumes continued market share penetration in all the categories in which the Company competes and that the increase in unit sales will be supported by our Honduran, Dominican Republic and Canadian textile operations.

Gildan projects capital expenditures of approximately $105 million in fiscal 2006, which it expects to fully finance out its internally-generated cash flow from operating activities. In addition to completing the ramp-up and further expansion of the Company's new textile facility in the Dominican Republic, the Company is constructing two new facilities at its Rio Nance site in Honduras, one for the manufacture of activewear and underwear, and one for production of athletic socks.

We hereby refer to the Forward-Looking Statements cautionnary notice on page 45.

MD&A

Management's Discussion and Analysis of Financial Condition and Results of Operations

Stock Split

On May 4, 2005, the Board of Directors of the Company declared a two-for-one stock split, effected in the form of a stock dividend, applicable to all of its issued and outstanding common shares and payable to shareholders of record on May 20, 2005. All earnings per share data in this MD&A are stated after the stock split.

OPERATING RESULTS 2003-2004

Year ended October 3, 2004, compared with year ended October 5, 2003

The year ended October 5, 2003 included 53 weeks of operating results instead of the normal 52 weeks. Since the Company has a floating year-end, an extra week is included in its results every sixth year. During fiscal 2003, the extra week was added to the third quarter, which in seasonal terms was the largest quarter of the year. Management estimates that the impact of adding an extra week to the full year was approximately $0.02 to diluted earnings per share for the 2003 fiscal year.

Sales for fiscal 2004 increased by 23.7%, to $533.4 million, compared with $431.2 million in fiscal 2003, due to a 19.0% increase in unit sales in fiscal 2004 from 22.6 to 26.9 million dozens, combined with a stronger product mix and an increase in average selling prices. During fiscal 2004, Gildan continued to expand its European business, with an increase of 30.5% in unit sales. The Company also maintained a leading market share position in Canada. The Company also introduced its products in Australia during fiscal 2004, with immediate success in achieving market penetration.

Gross Margins

Gross profit for fiscal 2004 was $154.7 million or 29.0% of sales, compared to $129.9 million or 30.1% of sales during fiscal 2003. A portion of the decrease in the gross margin percentage was due to the change in functional currency as described on page 24. Gross profit for fiscal 2004, excluding the adjustments due to the change in functional currency, was $157.9 million or 29.6% of sales, compared to $129.9 million or 30.1% of sales in fiscal 2003. The remaining decrease in gross margin percentage was the result of higher cotton costs, which on average were 39% higher in fiscal 2004 compared to fiscal 2003, and the closure of one of our Honduran sewing facilities (as noted below), which were offset by improvements in manufacturing efficiencies combined with increases in average selling prices and the sale of higher margin products.

The Company realized significant reductions in manufacturing and transportation costs from its continuing investment in the Rio Nance textile facility. This facility represented 61% of the Company's textile production in fiscal 2004 compared to 40% in fiscal 2003. The Canadian textile facilities continued to support the growth of our sweatshirt and sport shirt categories.

In September of fiscal 2004, the Company closed one of its Honduran sewing facilities in order to streamline its offshore operations. The production of this facility was distributed between a new sewing facility in Honduras, and existing plants in Nicaragua and Haiti. Included in cost of sales were closure costs totalling $1.4 million, mainly related to severance costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $62.9 million or 11.8% of sales during fiscal 2004, compared to $48.4 million or 11.2% of sales during fiscal 2003. In August 2004, the Company announced that H. Greg Chamandy had stepped down from his role as co-Chief Executive Officer, Chairman of the Board and Chairman of the Executive Committee of the Company in order to pursue other business interests. The Company incurred a charge of $4.6 million ($3.2 million net of taxes or $0.05 per diluted share) to satisfy its contractual commitments to H. Greg Chamandy. Selling, general and administrative expenses, excluding this charge, were $58.3 million or 10.9% of sales during fiscal 2004, compared to $48.4 million or 11.2% of sales during fiscal 2003. The dollar increase in fiscal 2004 was mainly due to higher volume-related distribution costs combined with an increase in director and officer insurance premiums. The Company also incurred a $2.0 million loss for asset dispositions and writedowns arising from the sale of surplus equipment in the Canadian textile operations and closure of the Honduran sewing facility.

Depreciation and Interest Expenses

Depreciation and amortization expense was $22.3 million in fiscal 2004, compared to $16.1 million in fiscal 2003. Approximately $1.8 million of the increase was the result of the change in functional currency described on page 24, as a portion of the upward revaluation of opening fixed assets was depreciated during the year. Depreciation and amortization expense, excluding the adjustment due to the change in functional currency, was $20.5 million in fiscal 2004, compared to $16.1 million in fiscal 2003. The increase in depreciation expense in fiscal 2004 was the result of the Company's continued investment in capital expenditures to support our planned sales growth.

Interest expense was $6.2 million during fiscal 2004, down slightly from the $6.4 million that was incurred during fiscal 2003. The decrease was the result of the reduction in overall debt following the first repayment made in June 2004 on the Company's Senior Notes, offset slightly by interest expense in the Company's share of long-term debt undertaken by the Company's joint venture in fiscal 2004.

Income Taxes

The Company's international sales structure implemented in fiscal 1999 results in the income from international sales being subject to tax at relatively low levels. The Company's effective tax rate in fiscal 2004 was 4.9% compared to 9.8% in fiscal 2003. The decline in the effective tax rate is the result of a higher proportion of international sales compared to prior years, which are taxed at relatively low rates, combined with a shift of manufacturing activities to our offshore hubs that operate in tax-free zones. In addition, the charge, included as part of selling, general and administrative expenses as described on page 26 is deductible in the calculation of taxable income in the Canadian operations, which resulted in a 1.8% reduction in the effective tax rate for fiscal 2004.

Net Earnings

Net earnings for fiscal 2004 were $60.3 million or $1.01 per diluted share, compared to $53.2 million, or $0.89 per diluted share in fiscal 2003, up respectively 13.3% and 13.5%. The results of fiscal 2004 included a charge of $0.05 per diluted share to meet the cost of the Company's contractual obligations to H. Greg Chamandy and a charge of $0.06 per diluted share for the impact of the change to U.S. dollar functional currency on cost of sales as a result of revaluing opening inventories, as described on page 24. Excluding these charges, net earnings were $66.7 million or $1.12 per share on a diluted basis, an increase of 25.4% or 25.8% over earnings and diluted earnings per share in fiscal 2003. The increase in net earnings was primarily due to the 23.7% increase in sales revenue, partially offset by higher selling, general, administrative and depreciation expenses.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in Note 2 to the Company's Consolidated Financial Statements. The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect our results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. On an ongoing basis, management reviews its estimates and actual results could differ from those estimates.

Management believes that the following accounting estimates are most significant to assist in understanding and evaluating the Company's financial results.

Sales Promotional Programs

At the time of sale, estimates are made based upon existing programs for customer price discounts and rebates. Accruals required for new programs, which relate to prior sales, are recorded at the time the new program is introduced. Sales are recorded net of these program costs. If actual price discounts and rebates differ from estimates, net sales could either be understated or overstated.

Trade Accounts Receivable

Trade accounts receivable consist of amounts due from our normal business activities. We maintain an allowance for doubtful accounts to provide for expected credit losses. The Company's extension of credit involves judgment and is based on an evaluation of each customer's financial condition and payment history. The Company regularly monitors its credit risk exposure to its customers and takes steps to mitigate the risk of loss, including obtaining partial credit insurance.

If the financial condition of our customers were to deteriorate causing an impairment of their ability to make payments, additional provisions for bad debts may be required in future periods. On the other hand, if our ultimate recovery on the accounts we have reserved or written off exceeds our estimates, we may decrease our reserves.

Fixed Assets

Our fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

On a regular basis, we review the estimated useful lives of our fixed assets. Assessing the reasonableness of the estimated useful lives of fixed assets requires judgment and is based on currently available information. Changes in circumstances, such as technological advances and changes to our business strategy can result in actual useful lives differing from our estimates. Revisions to the estimated useful lives of fixed assets constitute a change in accounting estimate and are applied prospectively.

Cotton and Yarn Procurements

The Company contracts to buy cotton and yarn with future delivery dates at fixed prices in order to reduce the effects of fluctuations in the prices of cotton used in the manufacture of its products. These contracts are not used for trading purposes. The Company commits to fixed prices on a percentage of its cotton and yarn requirements up to eighteen months in the future. If market prices for cotton and yarn fall significantly below the committed future purchase prices, the Company estimates the costs of cotton that are not recoverable in future sales of finished goods, and records a charge to earnings.

Future Income Taxes

The Company utilizes the asset and liability method for accounting for income taxes which requires the establishment of future tax assets and liabilities, measured at substantively enacted tax rates, for all temporary differences caused when the tax bases of assets and liabilities differ from those reported in our Consolidated Financial Statements.

The Company's future income tax assets are recognized only to the extent that, in management's opinion, it is more likely than not that the future income tax assets will be realized. If the realization is not considered to be more likely than not, a valuation allowance is provided. This opinion is based on certain estimates or assumptions. If these estimates or assumptions change in the future, the Company could be required to reduce or increase the value of the future income tax assets and liabilities resulting in income tax expenses or recovery. The Company evaluates its future income tax assets and liabilities on a quarterly basis.

CHANGES IN ACCOUNTING POLICIES

Variable Interest Entities (AcG-15)

The Canadian Institute of Chartered Accountants (the "CICA") issued Accounting Guideline 15 — *Consolidation of Variable Interest Entities*, ("AcG-15")("VIE"), which contains guidelines that harmonize with corresponding guidance in the United States. A VIE is any type of legal structure not controlled by voting equity but rather by/or through contractual or other financial arrangements. This guideline requires the Company to identify VIEs in which it has an interest, determine whether it is the primary beneficiary of such entities and, if so, to consolidate the VIE. A primary beneficiary is an enterprise that will absorb a majority of the VIE's expected losses, receive a majority of its expected residual return, or both. The Company has determined that its joint venture (CanAm Yarns, LLC — formerly Cedartown Manufacturing, LLC) ("CanAm") with Frontier Spinning Mills, Inc. meets the criteria for being a VIE and that the Company is the primary beneficiary of the entity.

The Company elected to early adopt this standard in order to minimize any potential difference between Canadian and U.S. GAAP. The consolidation of CanAm at October 4, 2004, the beginning of the Company's 2005 fiscal year, increased total assets by $7.9 million, total liabilities by $5.0 million and non-controlling interest by $2.9 million. The Company's net earnings were not affected by this change as the investment in the joint venture was previously accounted for on a proportionate consolidated basis.

RECENT ACCOUNTING PRONOUNCEMENTS

Comprehensive Income / Financial Instruments / Hedges

During 2005, the CICA released new accounting standards for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, as follows:

- 1530, Comprehensive Income;
- 3885, Financial Instruments — Recognition and Measurement; and
- 3865, Hedges

Under these new standards, all financial assets should be measured at fair value with the exception of loans, receivables and investments that are intended to be held to maturity and certain equity investments, which should be measured at cost. Similarly, all financial liabilities should be measured at fair value when they are held for trading or they are derivatives.

Gains and losses on financial instruments measured at fair value will be recognized in the income statement in the periods they arise with the exception of gains and losses arising from:

- financial assets held for sale, for which unrealized changes in fair value are initially reported in other comprehensive income and subsequently reclassified to net income when the financial assets are sold or become impaired; and
- certain financial instruments that qualify as hedging items under the application of hedge accounting, for which unrealized changes in fair value are initially reported in other comprehensive income and subsequently reclassified to net income when the offsetting loss or gain on the hedged item affects net income.

Other comprehensive income comprises revenues, expenses, gains and losses that are excluded from net income under generally accepted accounting principles, but are added to or deducted from net income in computing and reporting comprehensive income. Unrealized gains and losses on qualifying hedging instruments, translation of self-sustaining foreign operations, and unrealized gains or losses on financial instruments held for sale will be included in other comprehensive income and reclassified to net income when realized. Comprehensive income and its components will be a required disclosure under the new standard.

These new standards will be effective for the Company's 2007 fiscal year. As these new accounting standards are consistent with United States accounting pronouncements currently in effect, the Company has reported the effect on net income and comprehensive income in Note 18 ("Canadian and United States Accounting Differences") to the financial statements for the 2005, 2004 and 2003 fiscal years.

Equity

The CICA has issued Handbook Section 3251, Equity, which establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this Section is a requirement for an enterprise to present separately each of the changes in equity during the period, including comprehensive income, as well as components of equity at the end of the period. This new standard is effective for interim and annual financial statements relative to fiscal years beginning on or after October 1, 2006 and therefore will be effective for the Company's 2007 fiscal year.

Non-Monetary Transactions

The CICA issued Handbook Section 3831, Non-Monetary Transactions, which replaces Section 3830 and requires all non-monetary transactions to be measured at fair value unless:

- the transaction lacks commercial substance;
- the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or the property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the assets or services received nor the fair value of the assets or services given up is reliably measurable; or
- the transaction is a non-monetary, non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

The new requirements are effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006. Earlier adoption is permitted for non-monetary transactions initiated in periods beginning on or after July 1, 2005. We do not expect the adoption of this section to have any material impact on our results of operations or financial position.

RELATED PARTY TRANSACTIONS

The Company has transactions with Frontier Spinning Mills, Inc., its joint-venture partner in CanAm. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total purchases of yarn from Frontier Spinning Mills, Inc. were $106.8 million in fiscal 2005 (2004 — $94.9 million), along with $0.6 million relating to management fees (2004 — nil). As at October 2, 2005, we had an outstanding payable to them of $15.6 million (2004 — $22.7 million).

During fiscal 2005, Frontier Spinning Mills, Inc. contributed $2.5 million in cash to CanAm.

DISCLOSURE CONTROLS

Based on an evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded as of October 2, 2005 that these controls and procedures are operating effectively.

RISKS

The Company is subject to a variety of business and capital investment risks. These include global competition, changes in international trade and tax legislation, changes in raw material prices, shifts in consumer demand, exposure to credit losses and currency fluctuations. The most significant of these risks are described below.

Our industry is competitive

The wholesale imprinted activewear segment of the North American apparel market includes a number of significant competitors. Our primary competitors are the major U.S.-based manufacturers of basic branded activewear for the wholesale and retail channels. These manufacturers include Fruit of the Loom, Inc., the Branded Apparel Division of Sara Lee Corporation, the Jerzees division of Russell Corporation and Anvil Knitwear, Inc.

Competition in Europe is similar to that in North America. We compete directly with the European divisions of Fruit of the Loom, Inc., the Branded Apparel Division of Sara Lee Corporation, and Jerzees division of Russell Corporation. In addition to these North American companies, we also compete directly against a Belgian-based company, The Cotton Group.

Our ability to remain competitive in the areas of quality, price, marketing, product development, manufacturing, distribution and order processing will, in large part, determine our future success. We cannot assure you that we will be able to continue to compete successfully.

Our industry is subject to pricing pressures

Prices in our industry have been declining over the past several years primarily as a result of passing cost reductions through into lower selling prices. Such cost reductions result from factors which include the relocation of manufacturing operations to lower-cost labour environments offshore and the addition of new capacity using state-of-the-art manufacturing technology.

In the future, our financial performance may be negatively affected if the following scenarios occur:

- if we are forced to reduce our prices and we cannot reduce our production costs; or
- if our production costs increase and we cannot increase our prices.

We rely on a relatively small number of significant customers

We sell our products to approximately 150 customers. In fiscal 2005, our two largest customers accounted for 28.2% and 5.6% of sales, respectively, and our top ten customers accounted for 63.8% of total sales. If any of our significant customers substantially reduce their purchases or cease to buy from us and we cannot replace that business with sales to other customers on similar terms, our business would be materially adversely affected.

We do not have formal contracts with our wholesale distributor customers whereby they must purchase a minimum quantity of our products. Although we have maintained long term relationships with many of our wholesale distributor customers, we cannot assure you that historic levels of business from any of our customers will continue or increase in the future.

We are subject to international trade legislation that is becoming increasingly liberalized

The textile and apparel industries of developed countries (including Canada, the United States and Western Europe) have historically received a relatively higher degree of trade protection than other countries. Since January 2005, quotas on imports of textiles and apparel from member countries of the World Trade Organization have been eliminated with the exception of China, which will continue to be subject to quotas on its textile and apparel exports until the end of 2008. Additionally, the textile and apparel industries of developed countries are also faced with new bilateral trade agreements which allow participating countries duty-free or lower tariff access to their markets. The Company has situated its manufacturing facilities in strategic locations to take advantage of these trade liberalization measures and which enable it to compete effectively in its markets. To date, the Company has not been negatively impacted by these changes in international trade legislation, although there can be no assurance that we will not be impacted in the future.

We currently pay income tax at a comparatively low effective rate, which could change in the future

The Company's sales structure results in the income generated from its international sales being subject to relatively low income tax rates. The structure is supported by current domestic laws in the countries in which the Company operates as well as through the application of income tax treaties between various countries in which the Company operates. The Company conducts annual transfer pricing studies to substantiate the transactions between the various related parties within the Company.

It should be noted that any unanticipated changes to either current domestic laws in the countries in which the Company operates, or any changes to the income tax treaties the Company currently relies on, could impact the effective tax rate of the Company.

The price of the raw materials we buy is prone to significant fluctuations and volatility

The Company purchases cotton through its yarn-spinning joint venture, and also purchases processed cotton yarn from outside vendors, at prices that vary depending on the actual price of cotton. The Company enters into futures contracts and makes other arrangements to establish firm prices for cotton and cotton yarn up to eighteen months in advance of delivery. For future deliveries with a fixed price, the Company will not be able to benefit from price decreases but we will be protected against price increases. Conversely, in the event that we have not entered into sufficient cotton futures contracts or made other arrangements to lock in the price of cotton yarn in advance of delivery, we will not be protected against price increases, but will be in a position to benefit from any price decreases.

Without taking into account the impact of futures contracts, a change of $0.01 per pound in cotton prices would affect the Company's annual raw material costs by approximately $2.9 million, at estimated production levels for fiscal 2006. The ultimate effect of this change on the Company's earnings cannot be quantified, as the relationship between movements in cotton prices and movements in industry selling prices cannot be predicted with any certainty.

Our operations are subject to political, social and economic risks

The majority of our products are now manufactured and sewn in Central America, the Caribbean Basin and Mexico. The Company is currently adding significant new capacity and making further capital investments in Central America and the Caribbean Basin. Some of the countries where we manufacture our products and where we are adding new capacity have experienced political, social and economic instability in the past. We cannot predict the future political, social or economic stability of these countries or the impact of any such changes on our business.

Our industry is subject to fluctuations in sales demand

Demand for our products may vary from year to year. Based on discussions with our customers and our analysis of factors impacting industry demand at the beginning of each fiscal year, we produce and store finished goods inventory to meet the expected demand for delivery. If, after producing and storing inventory in anticipation of deliveries, demand is significantly less than expected, we may have to hold inventory for extended periods of time, or sell excess inventory at reduced prices. In either case, our profits would be reduced. Excess inventory could also result in slower production, lower plant and equipment utilization and lower fixed operating cost absorption, all of which would have a negative impact on our business. The risk of experiencing lower than anticipated demand is mitigated by the fact that our products are subject to low fashion risk, and by the increasing diversification of our customer base.

Our operations are subject to environmental regulation

We are subject to various environmental and occupational health and safety laws and regulations in our operations in Canada, the United States and offshore. Future events, such as:

- a change in existing laws and regulations;
- the enactment of new laws and regulations;
- a release of hazardous substances on or from our properties or any associated offsite disposal location; or
- the discovery of contamination from prior activities at any of our properties may give rise to compliance or environmental remediation costs that could have a material adverse effect on our business.

We are exposed to concentrations of credit risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company invests available cash in short-term deposits with major North American and European financial institutions.

The Company's extension of credit involves judgment and is based on an evaluation of each customer's financial condition and payment history. The Company regularly monitors credit risk exposure to its customers and takes steps to mitigate the risk of loss, including obtaining partial credit insurance. As at October 2, 2005, the Company's top ten customers accounted for 55.6% (2004 — 51.5%) of the trade receivable balance, of which one customer represented 18.9% (2004 — 19.5%). The remaining trade receivable balance is dispersed among a large number of customers across many geographic areas including the United States, Canada, Europe and Australasia. An allowance for doubtful accounts is maintained for potential credit losses consistent with the credit risk, historical trends, general economic conditions and other available information.

Foreign currency fluctuations risk

Effective fiscal 2004, the functional and reporting currency of the Company was changed from the Canadian dollar to the U.S. dollar. This change was made as the majority of the Company's sales revenues are denominated in U.S. dollars, while its manufacturing operations are increasingly diversified outside Canada. However, as the Company operates as an international business, its financial results continue to be exposed to the effects of changes in foreign currency (non-U.S. dollar) exchange rates. The Company's exposure relates primarily to changes in the U.S./Canadian dollar, U.S./British pound and U.S./Euro exchange rates. The Company views its foreign currency revenue streams as a partial natural hedge against its foreign currency expenses, and believes that its overall exposure to foreign currency fluctuations is limited and is unlikely to materially impact its future results.

DISCLOSURE OF OUTSTANDING SHARE DATA

Our common shares are listed on the New York Stock Exchange and the Toronto Stock Exchange (GIL).

As of November 30, 2005 there were 59,955,233 common shares issued and outstanding along with 568,778 stock options and 373,500 restricted share units outstanding. Each stock option and restricted share unit entitles the holder to either purchase or receive one common share at the end of the vesting period.

RECONCILIATION OF NON-GAAP MEASURES

The following measures included in this report do not have standardized meanings under Canadian GAAP and, therefore, are unlikely to be comparable to similar measures presented by other companies:

1. Free cash flow;
2. Total indebtedness;
3. Cash in excess of debt (Net debt); and
4. All references made to adjusted gross margin, adjusted selling, general and administrative expenses, adjusted net earnings and adjusted diluted earnings per share.

The following table reconciles all non-GAAP financial measures mentioned in this Management Discussion and Analysis to the most directly comparable GAAP measures:

(in thousands of dollars, except earnings per share)

	2005	2004	2003
Free Cash Flow			
Cash flows from operating activities	**$ 93,250**	$ 58,920	$ 63,721
Cash flows from investing activities	**(83,848)**	(53,820)	(39,458)
Free cash flow	**$ 9,402**	$ 5,100	$ 24,263
Total Indebtedness/Cash in excess of debt (Net debt)			
Bank indebtedness	**$ (3,980)**	$ —	$ —
Current portion of long-term debt	**(19,859)**	(18,610)	(19,481)
Long-term debt	**(27,288)**	(37,979)	(54,078)
Total indebtedness	**(51,127)**	(56,589)	(73,559)
Cash and cash equivalents	**69,802**	60,671	69,340
Cash in excess of debt (Net debt)	**$ 18,675**	$ 4,082	$ (4,219)

Adjusted Consolidated Statement of Earnings and Earnings per Share

(in thousands of dollars, except earnings per share)

2005	**Audited**		**Adjusted**
Sales	**$653,851**		**$653,851**
Cost of sales	**450,570**		**450,570**
Gross profit	**203,281**		**203,281**
Special charge	**10,726**	**(10,726)**(1)	**—**
Selling, general and administrative expenses	**74,896**		**74,896**
EBITDA(2)	**117,659**	**10,726**	**128,385**
Depreciation and amortization	**25,615**		**25,615**
Interest expense	**4,615**		**4,615**
Non-controlling interest in income of consolidated joint venture	**34**		**34**
Earnings before income taxes	**87,395**	**10,726**	**98,121**
Income taxes expense	**1,352**	**3,718**(1)	**5,070**
Net earnings	**$ 86,043**	**$ 7,008**	**$ 93,051**
Basic EPS	**$ 1.44**		**$ 1.56**
Diluted EPS	**1.43**		**1.55**

2004	Audited		Adjusted
Sales	$533,368		$533,368
Cost of sales	378,696	(3,251)(3)	375,445
Gross profit	154,672	3,251	157,923
Selling, general and administrative expenses	62,898	(4,614)(4)	58,284
EBITDA(2)	91,774	7,865	99,639
Depreciation and amortization	22,275		22,275
Interest expense	6,170		6,170
Earnings before income taxes	63,329	7,865	71,194
Income taxes expense	3,078	1,430(4)	4,508
Net earnings	$ 60,251	$ 6,435	$ 66,686
Basic EPS	$ 1.02		$ 1.13
Diluted EPS	1.01		1.12

1 *Adjustment to remove special charge relating to the closure of the Canadian yarn-spinning facilities and the income tax effect thereon. See page 26.*

2 *Earnings before interest, income taxes, depreciation and amortization*

3 *Adjustments due to the change in functional currency. See page 24.*

4 *Adjustments due the charge to satisfy the Company's contractual commitments to H. Greg Chamandy and the income tax effect thereon. See page 26.*

FORWARD-LOOKING STATEMENTS

Certain statements included in this management discussion and analysis may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian Securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. We refer you to the Company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission as well as the "Risks" section of this MD&A beginning on page 40 for a discussion of the various factors that may affect the Company's future results.Material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection are also set out throughout this document.

Readers are cautioned however not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. This may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements.

We believe that the expectations represented by such forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. Furthermore, the forward-looking statements contained in this report are made as of the date of this report, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

December 19, 2005

EXHIBIT 99.2

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality, and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, that only valid and authorized transactions are executed and that accurate, timely and comprehensive financial information is prepared.

The Company's Audit and Finance Committee is appointed by the Board of Directors annually and is comprised exclusively of outside, independent directors. The Audit and Finance Committee meets with management as well as with the independent auditors and internal auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit and Finance Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The Audit and Finance Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors. KPMG LLP have direct access to the Audit and Finance Committee of the Board of Directors.

The consolidated financial statements have been independently audited by KPMG LLP, Chartered Accountants, on behalf of the shareholders, in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company.



Glenn J. Chamandy
President and Chief Executive Officer



Laurence G. Sellyn
Executive Vice-President,
Chief Financial and Administrative Officer

November 25, 2005

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Gildan Activewear Inc. as at October 2, 2005 and October 3, 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years ended October 2, 2005, October 3, 2004 and October 5, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 2, 2005 and October 3, 2004 and the results of its operations and its cash flows for the years ended October 2, 2005, October 3, 2004 and October 5, 2003 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montreal, Canada
November 25, 2005

CONSOLIDATED BALANCE SHEETS

October 2, 2005 and October 3, 2004

(In thousands of US dollars)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 69,802**	$ 60,671
Accounts receivable	**108,646**	85,317
Inventories	**134,861**	116,615
Prepaid expenses and deposits	**4,394**	3,243
Future income taxes (note 12)	**10,135**	8,149
	327,838	273,995
Fixed assets (note 3)	**260,615**	211,693
Other assets (note 4)	**4,036**	3,127
Assets held for sale (note 14 (b))	**5,027**	—
	$ 597,516	$ 488,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 5)	**$ 3,980**	$ —
Accounts payable and accrued liabilities	**86,843**	74,607
Income taxes payable	**2,206**	1,966
Current portion of long-term debt (note 6)	**19,859**	18,610
	112,888	95,183
Long-term debt (note 6)	**27,288**	37,979
Future income taxes (note 12)	**31,386**	28,058
Non-controlling interest	**5,394**	—
Shareholders' equity (note 7):		
Share capital	**84,177**	78,170
Contributed surplus	**1,596**	681
Cumulative translation adjustment	**26,248**	26,248
Retained earnings	**308,539**	222,496
	420,560	327,595
Commitments and contingent liabilities (note 10)		
	$ 597,516	$ 488,815

See accompanying notes to consolidated financial statements.

On behalf of the Board:





Glenn J. Chamandy
Director

Pierre Robitaille
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except per share amounts)

	2005	2004	2003
Sales	**$ 653,851**	$ 533,368	$ 431,195
Cost of sales	**450,570**	378,696	301,341
Gross profit	**203,281**	154,672	129,854
Selling, general and administrative expenses	**74,896**	62,898	48,403
Special charge (note 14 (b))	**10,726**	—	—
Earnings before the undernoted items	**117,659**	91,774	81,451
Depreciation and amortization	**25,615**	22,275	16,088
Interest	**4,615**	6,170	6,419
Non-controlling interest in income of consolidated joint venture	**34**	—	—
	30,264	28,445	22,507
Earnings before income taxes	**87,395**	63,329	58,944
Income taxes (note 12)	**1,352**	3,078	5,788
Net earnings	**$ 86,043**	$ 60,251	$ 53,156
Earnings per share (note 13):			
Basic	**$ 1.44**	$ 1.02	$ 0.91
Diluted	**1.43**	1.01	0.89

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars)

	2005	2004	2003
Retained earnings, beginning of year	**$ 222,496**	$ 162,245	$ 109,089
Net earnings	**86,043**	60,251	53,156
Retained earnings, end of year	**$ 308,539**	$ 222,496	$ 162,245

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars)

	2005	2004	2003
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net earnings	**$ 86,043**	$ 60,251	$ 53,156
Adjustments for:			
Depreciation and amortization	**25,615**	22,275	16,088
Stock-based compensation costs	**1,050**	477	—
Future income taxes	**176**	2,947	4,196
Loss on disposal and writedown of fixed assets	**7,373**	1,949	244
Non-controlling interest	**34**	—	—
Unrealized foreign exchange loss (gain)	**2,552**	586	(34)
Changes in non-cash working capital balances:			
Accounts receivable	**(22,694)**	(20,236)	(7,320)
Inventories	**(17,790)**	(13,112)	(16,131)
Prepaid expenses and deposits	**(1,082)**	440	(831)
Accounts payable and accrued liabilities	**11,979**	5,416	12,654
Income taxes payable	**(6)**	(2,073)	1,699
	93,250	58,920	63,721
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Repayment of long-term debt	**(24,739)**	(19,981)	(948)
Increase in long-term debt	**12,086**	4,125	268
Increase in bank indebtedness	**3,980**	—	—
Repayment of capital leases	**(157)**	(1,158)	(3,396)
Proceeds from the issuance of shares	**5,872**	2,664	4,487
Contribution by non-controlling interest	**2,500**	—	—
	(458)	(14,350)	411
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Purchase of fixed assets, net of disposals	**(86,124)**	(53,684)	(39,415)
Proceeds from the sale of assets held for sale	**4,087**	—	—
Increase in other assets	**(1,811)**	(136)	(43)
	(83,848)	(53,820)	(39,458)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**187**	581	(344)
Net increase (decrease) in cash and cash equivalents during the year	**9,131**	(8,669)	24,330
Cash and cash equivalents, beginning of year	**60,671**	69,340	45,010
Cash and cash equivalents, end of year	**$ 69,802**	$ 60,671	$ 69,340

Supplemental disclosure of cash flow information (note 14 (e))

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

Gildan Activewear Inc. (the "Company") is incorporated under the Canada Business Corporations Act. Its principal business activity is the manufacture and sale of activewear apparel. The Company's fiscal year ends on the first Sunday following September 28. All references to 2005, 2004 and 2003 represent the fiscal years ended October 2, 2005, October 3, 2004 and October 5, 2003, respectively. Fiscal 2003 includes 53 weeks instead of the normal 52 weeks. The inclusion of an extra week occurs in every sixth fiscal year due to the Company's floating year-end date.

(1) CHANGE IN ACCOUNTING POLICY

The Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 15 — *Consolidation of Variable Interest Entities* ("AcG-15") ("VIEs"), which contains guidelines that harmonize with corresponding guidance in the United States. A VIE is any type of legal structure not controlled by voting equity, but rather by/or through contractual or other financial arrangements. This guideline requires the Company to identify VIEs in which it has an interest, determine whether it is the primary beneficiary of such entities and, if so, to consolidate the VIE. A primary beneficiary is an enterprise that will absorb a majority of the VIE's expected losses, receive a majority of its expected residual return, or both. The Company determined that its joint venture (CanAm Yarns, LLC (formerly Cedartown Manufacturing, LLC)) ("CanAm") with Frontier Spinning Mills, Inc. meets the criteria for being a VIE and that the Company is the primary beneficiary of the entity.

The Company elected to early adopt this standard in order to minimize any potential difference between Canadian and US GAAP. The consolidation of CanAm at October 4, 2004, the beginning of the Company's 2005 fiscal year, increased total assets by $7,929, total liabilities by $5,069, and non-controlling interest by $2,860. The Company's net earnings were not affected by this change as the investment in the joint venture was previously accounted for using the proportionate consolidation method.

(2) SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are expressed in US dollars and have been prepared in accordance with accounting principles generally accepted in Canada. These principles conform, in all material respects, with accounting principles generally accepted in the United States, except as described in note 18. The principal accounting policies of the Company are summarized as follows:

(a) Basis of presentation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and a joint venture for which the Company is considered the primary beneficiary. All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Cash and cash equivalents

The Company considers all liquid investments with maturities of three months or less when acquired to be cash equivalents.

(c) Inventories

Inventories are stated at the lower of cost and market value. Cost is established based on the first-in, first-out method. Market value is defined as replacement cost for raw materials and net realizable value for work in process and finished goods.

(d) Fixed assets

Fixed assets are recorded at cost. Depreciation and amortization are calculated on a straight-line basis at the following annual rates:

Asset	Rate
Buildings and improvements	2 1/2% to 20%
Equipment	6 2/3% to 25%
Equipment under capital leases	6 2/3% to 25%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003

(In thousands of US dollars, except share and per share amounts)

SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fixed assets (continued)

Fixed assets are reviewed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, which is established as the carrying amount of an asset to be held and used over the sum of the undiscounted cash flows expected from its use and disposal; the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. Fair value is the estimated value at which the asset could be bought or sold in a transaction between willing parties.

(e) Deferred charges

The costs of obtaining long-term financing are deferred and amortized using the interest method over the term of the related debt. Plant start-up costs are deferred and amortized on a straight-line basis over two years. The amortization of these charges is included in depreciation and amortization.

(f) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Financial results as determined by actual events could differ from those estimates.

Significant estimates and assumptions affect many items in the financial statements including the key assumptions used in determining the allowance for doubtful accounts, future income tax assets and liabilities, stock-based compensation costs and the useful life and recoverability of fixed assets.

(g) Foreign exchange

Monetary assets and liabilities of the Canadian and foreign operations denominated in currencies other than US dollars are translated at the rates of exchange at the balance sheet date. Other balance sheet items, denominated in currencies other than US dollars, are translated at the rates prevailing at the respective transaction dates. Income and expenses, denominated in currencies other than US dollars, are translated at average rates prevailing during the year. Gains or losses on foreign exchange are recorded in the consolidated statements of earnings.

The foreign subsidiaries are considered to be integrated foreign operations, and their accounts have been translated using the temporal method with translation gains and losses included in the consolidated statements of earnings.

(h) Revenue recognition

Sales are recognized upon shipment of products to customers, since title passes upon shipment. At the time of sale, estimates are made based upon existing programs for customer price discounts and rebates. Accruals required for new programs, which relate to prior sales, are recorded at the time the new program is introduced. Sales are recorded net of these program costs.

(i) Cotton and yarn procurements

The Company contracts to buy cotton and yarn with future delivery dates at fixed prices in order to reduce the effects of fluctuations in the prices of cotton used in the manufacture of its products. These contracts are not used for trading purposes. The Company commits to fixed prices on a percentage of its cotton and yarn requirements up to eighteen months in the future. If market prices for cotton and yarn fall significantly below the committed future purchase prices, the Company estimates the costs of cotton that are not recoverable in future sales of finished goods, and records a charge to earnings.

(j) Financial instruments and hedging relationships

The Company may periodically use derivative financial instruments, such as forward foreign exchange contracts, to manage risks related to fluctuations in exchange rates. Derivative financial instruments are not used for trading purposes. Forward foreign exchange contracts are entered into with maturities not exceeding twenty-four months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments and hedging relationships (continued)

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting cash flows of hedged items. When hedging instruments become ineffective before their maturity or the hedging relationship is terminated, deferred gains or losses on such instruments continue to be deferred and charged to earnings in the same period as for the corresponding gains or losses for the hedged items; gains and losses realized subsequently as a result of marking-to-market are charged directly to earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, deferred gains or losses are charged to earnings. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in earnings.

Gains and losses on forward foreign exchange contracts are recognized in earnings in the same period as the transactions that are hedged, and offset transaction losses or gains on the foreign currency cash flows, which they are intended to hedge.

(k) Income taxes

The Company utilizes the asset and liability method for accounting for income taxes which requires the establishment of future tax assets and liabilities, measured at substantively enacted tax rates, for all temporary differences caused when the tax bases of assets and liabilities differ from those reported in the financial statements. Future income tax assets are evaluated and if realization is not considered to be more likely than not, a valuation allowance is provided.

(l) Stock-based compensation and other stock-based payments

Effective the commencement of its 2004 fiscal year, the Company follows the fair value-based method to account for all transactions whereby services are received in exchange for stock-based compensation and other stock-based payments. Under the fair value- based method, compensation cost is measured at the fair value at the date of grant and is expensed over the award's vesting period.

For employee share purchase plans, the Company's contribution, on the employee's behalf, is recognized as a compensation expense with an offset to share capital, and consideration paid by employees on purchase of stock is also recorded as an increase to share capital.

The following disclosure is required to report the pro forma net earnings and earnings per share as if the fair value-based method had been used to account for employee stock options granted during fiscal 2003.

	2005	2004	2003
Net earnings, as reported	**$ 86,043**	$ 60,251	$ 53,156
Deduct:			
Total stock-based employee compensation recovery (expense) determined under fair value-based method for awards granted in fiscal 2003	**10**	101	(240)
Pro forma net earnings	**$ 86,053**	$ 60,352	$ 52,916

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003

(In thousands of US dollars, except share and per share amounts)

SINIFICANT ACCOUNTING POLICIES (continued)

(l) Stock-based compensation and other stock-based payments (continued)

	2005	2004	2003
Earnings per share:			
Basic:			
As reported	**$ 1.44**	$ 1.02	$ 0.91
Pro forma	**1.44**	1.02	0.90
Diluted:			
As reported	**1.43**	1.01	0.89
Pro forma	**1.43**	1.01	0.89

During fiscal 2005, 26,666 (2004 — 173,754) options granted in fiscal 2003 were cancelled, which reduced the amount of stock-based compensation for the year, presented above, by $59 (2004 — $196), since the Company only accounts for forfeitures as they occur.

The weighted average grant-date fair value of the remaining 41,992 options granted in fiscal 2003 is CA$4.81 per option, which is recognized as compensation cost over the vesting period for purposes of calculating pro forma net earnings.

The weighted average fair value of each option granted in fiscal 2003 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

Risk-free interest rate	3.59%
Expected volatility	34.14%
Expected life	2.68 years
Expected dividend yield	nil

(m) Employee future benefits

The Company offers group defined contribution plans to eligible employees whereby the Company matches employees' contributions up to a fixed percentage of the employee's salary. Contributions by the Company to trustee-managed investment portfolios or employee associations are expensed as incurred.

(n) Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the year. Diluted earnings per share are computed in the same manner, except the weighted average number of common shares outstanding for the period is increased to include additional shares from the assumed exercise of options, if dilutive, and the issuance of restricted share units.

The number of additional shares is calculated by assuming that outstanding options are exercised, and that the proceeds from such exercises are used to repurchase common shares at the average share price for the period.

(o) Research and development investment tax credits and government grants

Research and development investment tax credits and government grants are recorded as a reduction of the related expense or the cost of the assets acquired. Tax credits are recorded in the accounts when reasonable assurance exists that they will be realized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003

(In thousands of US dollars, except share and per share amounts)

SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Environmental expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated.

(q) Guarantees

In the normal course of business, the Company enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires the Company to make payments to a third party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable that is related to an asset, a liability or an equity security of the guaranteed party, (ii) failure of another party to perform under an obligating agreement, or (iii) failure of another party to pay its indebtedness when due.

A liability is recorded when the Company considers probable that a payment relating to the guarantee has to be made to the other party.

(r) Asset retirement obligations

The Company records the obligation for estimated asset retirement costs at fair value when the legal obligation associated with the retirement of a tangible, long-lived asset and obligations in connection with leased assets are incurred. The associated costs are capitalized as part of the carrying value of the related asset and depreciated over the remaining useful life. The liability is accreted to full value over time through charges to earnings. Cost estimates are influenced by factors such as the number and type of assets subject to asset retirement obligations, the extent of work required and changes in environmental legislation. A revision to the estimated cost or useful lives of the assets could result in an increase or decrease in the total obligation which would change the amount of amortization and accretion expense recognized in net earnings over time.

As at October 2, 2005 and October 3, 2004, there were no significant asset retirement obligations recorded in the accounts of the Company.

(3) FIXED ASSETS

			2005
	Cost	Accumulated depreciation and amortization	Net book value
Land	$ 19,032	$ —	$ 19,032
Buildings and improvements	95,207	10,691	84,516
Equipment	225,514	72,312	153,202
Equipment under capital leases	1,532	1,307	225
Construction in progress	3,640	—	3,640
	$ 344,925	$ 84,310	$ 260,615

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

FIXED ASSETS (continued)

			2004
	Cost	Accumulated depreciation and amortization	Net book value
Land	$ 14,524	$ —	$ 14,524
Buildings and improvements	61,667	8,121	53,546
Equipment	182,036	57,242	124,794
Equipment under capital leases	1,928	1,309	619
Construction in progress	18,210	—	18,210
	$ 278,365	$ 66,672	$ 211,693

(4) OTHER ASSETS

	2005	2004
Loan to director and officer (2004 — CA$300) (a)	**$ —**	$ 238
Deferred charges, net of accumulated amortization of $5,716 (2004 — $4,901)	**1,482**	1,459
Long-term receivable	**1,133**	—
Prepaid equipment rental	**446**	556
Deposits	**662**	583
Other	**313**	291
	$ 4,036	$ 3,127

(a) During fiscal 2005, the balance of a loan due from a director and officer was repaid.

(5) BANK INDEBTEDNESS

The Company's joint venture, CanAm, has a revolving line of credit in the amount of $4,000. As at October 2, 2005, the joint venture had utilized $3,980 of its line of credit. The borrowings are due on demand and bear interest at 30-day LIBOR plus 2.25% (6.13% at October 2, 2005). The line of credit is secured by a first ranking security interest on the assets of the joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

(6) **LONG-TERM DEBT**

	2005	2004
Secured		
Senior notes (a)	**$ 35,000**	$ 52,500
Term loan, repayable in monthly instalments, bearing interest at 30-day LIBOR plus 2.75%, maturing in September 2012 (6.63% at October 2, 2005), collateralized by real estate (b)	**10,658**	—
Term loan, repayable in monthly instalments, bearing interest at 30-day LIBOR plus 3% (4.84% at October 3, 2004), refinanced in 2005 (b)	**—**	3,369
Term loan, repayable in monthly instalments, bearing interest at 6%, maturing in December 2008 (b)	**1,041**	—
Obligations under capital leases, bearing interest at 3.83%, maturing in December 2006	**186**	343
	$ 46,885	$ 56,212
Current portion of secured debt	**19,737**	18,495
	$ 27,148	$ 37,717
Unsecured		
Term loans, bearing interest at rates up to 5% per annum, maturing at various dates through 2008	**$ 262**	$ 377
Current portion of unsecured debt	**122**	115
	$ 140	$ 262
Total unsecured and secured long-term debt	**$ 27,288**	$ 37,979

(a) In fiscal 2000, the Company issued senior notes in the amount of $70,000. These notes are repayable in four equal annual instalments which commenced in June 2004. The outstanding balances bear interest at 9.51% on $27,500 and 9.88% on $7,500, and are secured by tangible and intangible property of the Company. The combined effective interest rate on the senior notes for fiscal 2005 was 9.59% (2004 — 9.59%).

(b) These term loans have been entered into by CanAm, the Company's joint venture with Frontier Spinning Mills, Inc.

The Company has a revolving term credit facility for a maximum of $200,000 which matures in July 2008. The facility is secured by a first ranking moveable hypothec and security interest on the majority of the Company's accounts receivable, inventories, intangible assets, equipment and tangible moveable assets. There were no amounts drawn under this facility at October 2, 2005 or October 3, 2004.

Under various financing arrangements with its bankers and other long-term lenders, the Company is required to meet certain covenants. The Company was in compliance with all of these covenants as at October 2, 2005 and October 3, 2004.
Principal payments due on long-term debt, other than obligations under capital leases, are as follows:

Fiscal year	
2006	$ 19,700
2007	19,704
2008	2,149
2009	1,830
2010	1,770
Thereafter	1,808
	$ 46,961

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003

(In thousands of US dollars, except share and per share amounts)

LONG-TERM DEBT (continued)

Future minimum lease payments under capital leases are as follows:

Fiscal year	
2006	$ 164
2007	27
Total minimum lease payments	191
Less imputed interest	5
	$ 186

(7) **SHAREHOLDERS' EQUITY**

Changes in share capital were as follows:

	2005		2004	
	Shares	**Book value**	Shares	Book value
Authorized without limit as to number and without par value:				
First preferred shares, issuable in series, non-voting				
Second preferred shares, issuable in series, non-voting				
Common shares				
Issued and outstanding:				
Commons shares:				
Total outstanding, beginning of year	**—**	**$ —**	—	$ —
Conversion of Class A shares into common shares (a)	**59,397,412**	**78,170**	—	—
Shares issued under employee share purchase plan	**9,916**	**200**	—	—
Shares issued pursuant to exercise of stock options	**547,202**	**5,807**	—	—
Total outstanding, end of year	**59,954,530**	**84,177**	—	—
Class A subordinate voting shares:				
Total outstanding, beginning of year	**59,397,412**	**78,170**	46,851,932	72,023
Conversion of Class A shares into common shares (a)	**(59,397,412)**	**(78,170)**	—	—
Conversion of Class B shares into Class A shares (e)	**—**	**—**	12,188,000	3,467
Shares issued under employee share purchase plan	**—**	**—**	11,174	163
Shares issued pursuant to exercise of stock options	**—**	**—**	346,306	2,517
Total outstanding, end of year	**—**	**—**	59,397,412	78,170
Class B multiple voting shares:				
Total outstanding, beginning of year	**—**	**—**	12,188,000	3,467
Conversion of Class B shares into Class A shares (e)	**—**	**—**	(12,188,000)	(3,467)
Total outstanding, end of year	**—**	**—**	—	—
	59,954,530	**$ 84,177**	59,397,412	$ 78,170

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003

(In thousands of US dollars, except share and per share amounts)

SHAREHOLDERS' EQUITY (continued)

The amounts credited to share capital from exercise of stock options include a cash consideration of $5,672 as well as an ascribed value from contributed surplus of $135 (2004 — nil).

(a) The Articles of the Company were amended by Certificate of Amendment dated February 2, 2005 to create an unlimited number of a new class of common shares, convert each of the issued and outstanding Class A subordinate voting shares into one of the common shares created, and cancel the Class B multiple voting shares and the Class A subordinate voting shares as well as the rights, privileges, restrictions and conditions attached thereto.

(b) On December 1, 2004, the Board of Directors approved the renewal of the stock repurchase program authorizing the Company to purchase up to a maximum of 1,000,000 of the Company's common shares in the open market commencing December 22, 2004 and ending December 21, 2005. As at October 2, 2005, no shares had been repurchased under this plan.

(c) On December 1, 2004, the Board of Directors adopted a shareholder rights plan, which became effective that same day. At the annual and special meeting of the shareholders on February 2, 2005, the shareholders approved a resolution confirming the ratification of the shareholder rights plan. The objectives of the shareholder rights plan are to provide the Board of Directors and the shareholders with additional time to assess any unsolicited take-over bid for the Company and, where appropriate, pursue other alternatives for maximizing shareholder value.

(d) On May 4, 2005, the Board of Directors of the Company declared a two-for-one stock split, effected in the form of a stock dividend, applicable to all of its issued and outstanding common shares and payable to shareholders of record on May 20, 2005. All share and per share data reflect the effect of the stock split on a retroactive basis.

(e) On March 1, 2004, the holders of the Class B multiple voting shares converted all the issued and outstanding Class B multiple voting shares into Class A subordinate voting shares on a one-for-one basis for no consideration.

(f) Changes in contributed surplus were as follows:

Balance, October 5, 2003	$ 220
Stock-based compensation related to stock options and restricted share units	461
Balance, October 3, 2004	681
Stock-based compensation related to stock options and restricted share units	1,050
Ascribed value credited to share capital from exercise of stock options	(135)
Balance, October 2, 2005	$ 1,596

(g) Cumulative translation adjustment:

On October 6, 2003, the Company adopted the US dollar as its functional and reporting currency. The change in the functional currency for the prior periods resulted in a currency translation adjustment of $26,248 which is reflected in the cumulative translation adjustment.

(8) STOCK-BASED COMPENSATION

(a) Employee share purchase plans:

The Company has employee share purchase plans which allow eligible employees to authorize payroll deductions of up to 10% of their salary to purchase, from treasury, common shares of the Company at a price of 90% of the then current stock price as defined in the plans. Employees purchasing shares under the plans must hold the shares for a minimum of one year. The Company has reserved 1,400,000 common shares for issuance under the plans. As at October 2, 2005, a total of 52,756 (2004 — 42,840) shares were issued under these plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

STOCK-BASED COMPENSATION (continued)

(b) Stock options

Under the Company's Long-Term Incentive Plan ("LTIP"), the Company may grant options to purchase common shares at the current market price on the date of grant to officers, other key employees and directors of the Company. Stock options vest equally over a two to four-year period from the date of grant, and expire no more than ten years after the date of grant. The LTIP provided that the number of common shares reserved for issuance shall not exceed 5,537,776 shares.

Changes in outstanding stock options were as follows:

	Number	Weighted average exercise price
		(in Canadian dollars)
Options outstanding, October 5, 2003	1,680,372	$ 12.74
Exercised	(346,306)	9.59
Cancelled	(191,420)	17.60
Options outstanding, October 3, 2004	1,142,646	$ 12.88
Exercised	(547,202)	12.78
Cancelled	(26,666)	20.45
Options outstanding, October 2, 2005	568,778	$ 12.62

The following table summarizes information about stock options outstanding and exercisable at October 2, 2005:

	Options outstanding			Options exercisable	
Range of exercise prices	Number	Weighted average exercise price	Weighted average remaining contractual life (yrs)	Number	Weighted average exercise price
(in Canadian dollars)		(in Canadian dollars)			(in Canadian dollars)
$ 2.57 — 4.88	62,056	$ 3.53	3.07	62,056	$ 3.53
$ 7.19 — 9.85	16,134	7.65	4.55	13,334	7.19
$ 10.00 — 12.63	269,149	12.08	5.20	248,504	12.18
$ 13.75 — 17.29	201,437	16.00	5.49	198,332	15.98
$ 17.40 — 20.45	20,002	18.08	7.11	2,669	17.40
	568,778	$ 12.62	5.12	524,895	$ 12.49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003 (In thousands of US dollars, except share and per share amounts)

STOCK-BASED COMPENSATION (continued)

(c) Under the Company's ("LTIP"), the Board of Directors may grant restricted share units ("RSUs"). An RSU is the right of an individual to whom a grant of such unit is made to receive one common share at the end of the vesting period, if certain conditions have been achieved, which include the employee's continued employment during that period and achievement of specified performance objectives. Grant levels of RSUs are determined by the Board of Directors, primarily based on the expected impact of the role of the employee on the Company's performance and strategic development. At the end of the vesting period, the common shares to which a holder of RSUs is entitled will be issued from treasury subject to the share limit provided in the LTIP. Compensation expense relating to the RSU plan is recognized in the financial statements over the vesting period based on the fair value of the RSU on the date of the grant.

Changes in outstanding RSUs were as follows:

	RSU	Weighted average fair value per unit
		(in Canadian dollars)
RSUs outstanding, October 5, 2003	—	$ —
Granted	230,000	19.65
Cancelled	(6,000)	19.66
RSUs outstanding, October 3, 2004	224,000	19.65
Granted	162,000	27.83
Cancelled	(30,000)	18.33
RSUs outstanding, October 2, 2005	356,000	$ 23.48

As of October 2, 2005, none of the awarded and outstanding RSUs were vested and all have terms that cliff vest at the end of 5 years from the date of grant. The compensation expense recorded for fiscal 2005, in respect of the LTIP, was $919 (2004 — $331). The counterpart has been recorded as contributed surplus. When the shares are issued to the employees, the amounts previously credited to contributed surplus are credited to share capital.

(9) DEFERRED SHARE UNIT PLAN

Effective October 4, 2004, the Company established a deferred share unit plan for independent members of the Company's Board of Directors who may elect annually to receive all or a portion of their retainers and fees in the form of deferred share units ("DSUs"). The value of these DSUs is the market price of the Company's common shares at the time of payment of the retainers or fees. DSUs granted under the plan will be redeemable and the value thereof payable in cash only after the director ceases to act as a director of the Company. As at October 2, 2005, there were 2,666 DSUs outstanding at a value of $102 .This amount is included in "Accounts payable and accrued liabilities". The DSU obligation will continue to be adjusted each quarter based on the market value of the Company's common shares. The Company includes the cost of the DSU plan in " Selling, general and administrative expenses".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

(10) COMMITMENTS AND CONTINGENT LIABILITIES

(a) The minimum annual lease payments under operating leases are approximately as follows:

Fiscal year	
2006	$ 7,287
2007	3,872
2008	3,132
2009	2,678
2010	2,272
Thereafter	10,606
	$29,847

(b) As at October 2, 2005, there were contractual obligations outstanding of approximately $16,971 for the acquisition of fixed assets (2004 — $27,560).

(c) The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a materially adverse effect on the financial position or results of operations of the Company.

(11) GUARANTEES

As at October 2, 2005, significant guarantees that have been provided to third parties are the following:

The Company, and some of its subsidiaries, have granted irrevocable standby letters of credit and surety bonds, issued by highly rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at October 2, 2005, the maximum potential liability under these guarantees was $28,500, of which $8,700 was for surety bonds and $19,800 was for standby letters of credit and corporate guarantees. The standby letters of credit mature at various dates during fiscal 2006, the surety bonds are automatically renewed on an annual basis and the corporate guarantees mature upon 30 days notice.

As at October 2, 2005, the Company has not recorded a liability with respect to these guarantees, as the Company does not expect to make any payments for the aforementioned items. Management believes that the fair value of the non-contingent obligations to stand ready to perform in the event that specified triggering events or conditions occur approximates the cost of obtaining the standby letters of credit and surety bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003 (In thousands of US dollars, except share and per share amounts)

(12) INCOME TAXES

The income tax provision differs from the amount computed by applying the combined Canadian federal and provincial tax rates to earnings before income taxes. The reasons for the difference and the related tax effects are as follows:

	2005	2004	2003
Combined basic Canadian federal and provincial income taxes	**$ 27,075**	$ 20,012	$ 19,602
Increase (decrease) in income taxes resulting from:			
Effect of different tax rates on earnings of foreign subsidiaries	**(29,016)**	(19,935)	(15,430)
Effect of non-deductible expenses and other	**3,293**	3,001	1,616
	$ 1,352	$ 3,078	$ 5,788

For fiscal 2005, the effect of different tax rates on earnings of foreign subsidiaries was greater than the amount computed by applying the combined Canadian tax rates to consolidated earnings before income taxes. This occurred due to a combination of losses incurred in the Canadian parent company that generated a recovery of income taxes at statutory Canadian rates, and earnings in the Company's subsidiaries that generated income tax expense at relatively low tax rates.

The components of income tax expense are as follows:

	2005	2004	2003
Current income taxes	**$ 1,176**	$ 131	$ 1,592
Future income taxes	**176**	2,947	4,196
	$ 1,352	$ 3,078	$ 5,788

The Company has not recognized a future income tax liability for the undistributed earnings of its subsidiaries in the current or prior years because the Company currently does not expect to sell those investments, and for those undistributed earnings that would become taxable, there is no intention to repatriate the earnings.

Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax position are as follows:

	2005	2004
Future income tax assets:		
Non-capital losses and research and development expenses	**$ 6,735**	$ 4,099
Inventory	**645**	1,347
Reserves and accruals	**1,555**	1,453
Other	**1,200**	1,250
	10,135	8,149
Future income tax liabilities:		
Fixed assets and other	**31,386**	28,058
Net future income tax liability	**$ 21,251**	$ 19,909

Management believes that all future income tax assets will more likely be realized than not and, accordingly, no valuation allowance has been provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

(13) EARNINGS PER SHARE

A reconciliation between basic and diluted earnings per share is as follows:

	2005	2004	2003
Basic earnings per share:			
Basic weighted average number of common shares outstanding	**59,690,966**	59,181,610	58,483,292
Basic earnings per share	**$ 1.44**	$ 1.02	$ 0.91
Diluted earnings per share:			
Basic weighted average number of common shares outstanding	**59,690,966**	59,181,610	58,483,292
Plus impact of stock options and RSUs	**443,910**	489,568	968,086
Diluted weighted average number of common shares outstanding	**60,134,876**	59,671,178	59,451,378
Diluted earnings per share	**$ 1.43**	$ 1.01	$ 0.89

All stock options and RSUs outstanding for fiscal 2005 were dilutive.

Excluded from the above calculation for fiscal 2004 are 64,000 stock options ranging in price from CA$18.25 to CA$20.44 which were deemed to be anti-dilutive because the exercise prices were greater than the average market price of the common shares. All stock options outstanding for fiscal 2003 were dilutive. In addition, there are 178,000 (2004 — 112,000) RSUs that have performance-vesting triggers that were excluded from the above calculation of diluted earnings per share for fiscal 2005 and 2004.

(14) OTHER INFORMATION

(a) The following items were included in the determination of the Company's net earnings:

	2005	2004	2003
Depreciation expense of fixed assets	**$ 24,677**	$21,511	$15,407
Interest expense on long-term debt	**4,805**	6,226	6,751
Interest expense on short-term indebtedness	**56**	—	—
Foreign exchange (loss) gain	**(1,113)**	47	1,206
Defined contribution plan expense	**688**	442	376
Amortization expense of deferred start-up costs	**502**	377	297
Amortization of deferred financing costs and other	**436**	387	384
Investment income	**450**	248	371
Special charge (b)	**10,726**	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

OTHER INFORMATION (continued)

(b) During fiscal 2005, the Company closed its two Canadian yarn-spinning operations and recognized a charge of $10,726 before tax ($7,008 after tax) for closure costs. The components of the special charge are as follows:

Writedown of fixed assets	$ 6,783
Employee severance	3,688
Other	255
	$ 10,726

A major portion of the Canadian yarn-spinning equipment was transferred to a new facility in Clarkton, North Carolina, which is operated by the Company's joint venture with Frontier Spinning Mills, Inc. The Company reduced the carrying values of the remaining fixed assets considered to be held for sale to their fair values. The severance costs were fully paid in the year.

(c) An amount of approximately $1,173 (2004 — $500) is included as compensation costs in "Selling, general and administrative expenses" in the consolidated statements of earnings for fiscal 2005 in respect of the employee share purchase plans, RSUs, DSUs and certain stock options.

(d) During fiscal 2004, the Company closed one of its Honduran sewing facilities. The total costs of closure amounted to $2,200, of which $1,400 related mainly to severance payments recorded in "Cost of sales" and $800 represented the writedown of fixed assets that was recorded in "Selling, general and administrative expenses." As at October 3, 2004, all payments relating to the closure had been made.

(e) Supplemental cash flow disclosure:

	2005	2004	2003
Cash paid during the year for:			
Interest	**$ 4,516**	$ 6,404	$ 6,444
Income taxes	**1,557**	1,812	1,075
Non-cash transactions:			
Additions to fixed assets included in accounts payable and accrued liabilities	**740**	3,473	2,349
Cash and cash equivalents consist of:			
Cash balances with banks	**$ 38,802**	$ 33,571	$ 50,672
Short-term investments, bearing interest at 3.67% (2004 — 1.72%; 2003 — 1.65%)	**31,000**	27,100	18,668
	$ 69,802	$ 60,671	$ 69,340

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

(15) RELATED PARTY TRANSACTIONS

The Company has transactions with Frontier Spinning Mills, Inc., its joint-venture partner in CanAm. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout fiscal 2004 and 2005 and balances owed as of the year-end dates:

	2005	2004
Transactions:		
Yarn purchases	**$106,820**	$ 94,910
Management fee expense	**562**	—
Balances outstanding:		
Accounts payable	**15,631**	22,683

During fiscal 2005, Frontier Spinning Mills, Inc. contributed $2,500 in cash to CanAm.

(16) FINANCIAL INSTRUMENTS

(a) Foreign currency risk management

A portion of the Company's sales are denominated in currencies other than US dollars. The Company uses the revenue stream in these non-US dollar currencies as a natural hedge against purchases of fixed assets and expenses denominated in these non-US dollar currencies. From time to time, the Company also uses forward foreign exchange contracts to hedge its foreign exchange exposure on cash flows related to sales and operating expenses.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at October 2, 2005 and October 3, 2004:

	Notional amount	Exchange rate	Maturity	Notional US dollar equivalent
2005:				
Sell contracts:				
Foreign exchange contracts:	**€ 9,276**	**1.3450 to 1.3721**	**Oct. 2005 — Sept. 2006**	**$ 12,620**
	£ 4,490	**1.8707 to 1.8909**	**Oct. 2005 — Sept. 2006**	**8,439**
	CA$ 2,800	**0.8610**	**Oct. 2005**	**2,410**
Buy contracts:				
Foreign exchange contracts:	**CA$ 21,400**	**0.7997 to 0.8216**	**Oct. 2005 — Aug. 2006**	**$ 17,348**
	€ 2,150	**1.2039**	**Oct. 2005**	**2,588**
2004:				
Sell contracts:				
Foreign exchange contracts:	€ 1,409	1.2703 to 1.2717	Oct. — Dec. 2004	$ 1,791
	£ 1,002	1.7970 to 1.8490	Oct. — Dec. 2004	1,836
Buy contracts:				
Foreign exchange contracts:	CA$ 38,990	0.7251 to 0.7401	Oct. 2004 — May 2005	$ 28,726

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

FINANCIAL INSTRUMENTS (continued)

(a) Foreign currency risk management (continued)

A forward foreign exchange contract represents an obligation to buy or sell a foreign currency with a counterparty. Credit risk exists in the event of failure by a counterparty to meet its obligations. The Company reduces this risk by dealing only with highly rated counterparties, normally major European and North American financial institutions.

(b) Credit risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables.

The Company invests available cash in short-term deposits with North American and European financial institutions.

The Company's extension of credit involves judgment and is based on an evaluation of each customer's financial condition and payment history. The Company regularly monitors its credit risk exposure to its customers and takes steps to mitigate the risk of loss, including obtaining partial credit insurance. As at October 2, 2005, the Company's top 10 customers accounted for 55.6% (2004 — 51.5%) of the trade receivable balance, of which one customer represented 18.9% (2004 — 19.5%). The remaining trade receivable balances are dispersed among a large number of customers across many geographic areas including the United States, Canada, Europe and Australasia.

An allowance for doubtful accounts is maintained for potential credit losses consistent with the credit risk, historical trends, general economic conditions and other information.

(c) Fair value disclosure

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Company has determined that the carrying values of its short-term financial assets and liabilities approximate their respective fair values as at the balance sheet dates because of the short-term maturity of those instruments.

The fair value of long-term debt is $49,532 (2004 — $61,252) compared to a carrying value of $47,147 (2004 — $56,589) as at October 2, 2005. The fair value of the forward foreign exchange contracts is $2,953 (2004 — $2,112) as at October 2, 2005. The method of calculating fair values for the financial instruments is described below.

The fair value of the Company's long-term debt bearing interest at fixed rates was calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturities. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying value. The fair value of the forward foreign exchange contracts was determined using quoted market values.

(d) Interest rate risk

The Company's exposure to interest rate fluctuations is with respect to debt which bears interest at floating rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

(17) SEGMENTED INFORMATION

The Company manufactures and sells activewear apparel. The Company operates in one business segment.

(a) Major customers and revenues by geographic areas:

(i) The Company has one customer accounting for greater than 10% of total sales. This customer accounted for 28.2% of total sales (2004 — 25.0%; 2003 — 27.5%).

(ii) Sales were derived from customers located in the following geographic areas:

	2005	2004	2003
United States	**$567,084**	$452,060	$362,231
Canada	**46,009**	44,827	40,311
Europe and other	**40,758**	36,481	28,653
	$653,851	$533,368	$431,195

(b) Fixed assets by geographic areas are as follows:

	2005	2004
Caribbean Basin and Central America	**$141,029**	$ 96,099
United States	**67,260**	28,006
Canada	**47,711**	82,034
Mexico	**4,615**	5,554
	$260,615	$211,693

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

(18) CANADIAN AND UNITED STATES ACCOUNTING DIFFERENCES

The consolidated financial statements of the Company are expressed in US dollars and are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which conform, in all material respects, with those generally accepted in the United States except as described below:

(a) Consolidated statements of earnings:

	2005	2004	2003
Net earnings in accordance with Canadian GAAP	**$ 86,043**	$ 60,251	$ 53,156
Swap expense (i)	**(175)**	(586)	(1,091)
Start-up costs (ii)	**(293)**	(347)	137
Stock-based compensation (iii)	**–**	106	(561)
Tax effect of above adjustments	**54**	32	273
Net earnings in accordance with United States GAAP	**85,629**	59,456	51,914
Other comprehensive income:			
Mark-to-market adjustments on foreign exchange contracts, net of tax of $261 (2004 - $655) (note 18 (d))	**580**	1,457	—
Comprehensive income	**$ 86,209**	$ 60,913	$ 51,914
Earnings per share under United States GAAP:			
Basic	**$ 1.44**	$ 1.00	$ 0.89
Diluted	**1.43**	1.00	0.87
Weighted average number of common shares outstanding under United States GAAP:			
Basic	**59,690,966**	59,181,610	58,483,292
Diluted	**60,134,876**	59,671,178	59,451,378

(i) Swap revenue:

Under United States GAAP, SFAS 133 *Accounting for Derivative Instruments and Hedging Activities* requires that all derivative instruments be recognized as assets or liabilities and be measured at fair value. Under Canadian GAAP, there is no requirement to record derivative instruments used for hedging purposes at fair values. Consequently, on an ongoing basis, differences arise between amounts recognized for Canadian GAAP and United States GAAP. Upon cancellation of the derivative instruments, the gain or loss recognized under Canadian GAAP is different than the amount under United States GAAP.

Under Canadian GAAP, the Company was using hedge accounting for certain derivative instruments. The gain realized on cancellation of a cross-currency interest rate swap arrangement was deferred, and is being amortized over the term of the related debt. Under United States GAAP, the Company had not designated the derivative instrument in a hedging relationship and, consequently, upon cancellation of the instrument, the Company recognized the gain immediately into earnings.

(ii) Start-up costs:

Costs incurred during the start-up period for new manufacturing and distribution facilities are deferred and amortized on a straight-line basis over two years. United States GAAP requires such costs to be expensed as incurred. The adjustment to net earnings in accordance with United States GAAP includes the write-off of current year's start-up costs, and the reversal of the current year amortization of start-up costs deferred under Canadian GAAP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

CANADIAN AND UNITED STATES ACCOUNTING DIFFERENCES (continued)

(a) Consolidated statements of earnings (continued):

(iii) Stock-based compensation:

Effective October 6, 2003, the Company adopted the fair value recognition provisions of FASB Statement 123, *Accounting for Stock-based Compensation*, prospectively to all employee awards granted, modified or settled after that date. Consequently, for periods after October 5, 2003, there are no differences between Canadian GAAP and United States GAAP. In prior years, as permitted by the provisions of SFAS No. 123, the Company measured compensation cost using the intrinsic value method being the excess of the quoted market price of the Company's stock at the grant date over the amount the employee must pay for the stock. Accordingly, as no excess existed at the grant date, no compensation expense was recognized for stock option awards. However, certain of the Company's stock options granted prior to fiscal 2004 were modified which resulted in a new measurement date under United States GAAP. Compensation costs related to these modifications were expensed at the modification date.

Under Canadian GAAP, for options granted in prior years, the Company used the settlement date method of accounting for options, and compensation expense was not recognized.

(b) Consolidated statements of cash flows:

	2005	2004	2003
Changes due to United States GAAP:			
Operating activities on a Canadian basis	**$ 93,250**	$ 58,920	$ 63,721
Start-up costs	**(293)**	(347)	137
Operating activities cash flow, United States GAAP	**92,957**	58,573	63,858
Investing activities on a Canadian basis	**(83,848)**	(53,820)	(39,458)
Start-up costs	**293**	347	(137)
Investing activities cash flow, United States GAAP	**(83,555)**	(53,473)	(39,595)
Financing activities on a Canadian basis and under United States GAAP	**(458)**	(14,350)	411
Effect of exchange rate changes on cash and cash equivalents	**187**	581	(344)
Net increase (decrease) in cash and cash equivalents, during the year	**9,131**	(8,669)	24,330
Cash and cash equivalents, United States GAAP, beginning of year	**60,671**	69,340	45,010
Cash and cash equivalents, United States GAAP, end of year	**$ 69,802**	$ 60,671	$ 69,340

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

CANADIAN AND UNITED STATES ACCOUNTING DIFFERENCES (continued)

(c) Consolidated balance sheets:

A reconciliation of shareholders' equity under Canadian GAAP to United States GAAP is as follows:

	2005	2004
Shareholders' equity under Canadian GAAP	**$420,560**	$327,595
United States GAAP adjustments:		
Start-up costs	**(1,053)**	(760)
Foreign exchange contracts	**2,953**	2,112
Cross-currency swap	**123**	298
Tax effect on above adjustments	**(954)**	(747)
	1,069	903
Shareholders' equity under United States GAAP	**$421,629**	$328,498

(d) Comprehensive income:

Under United States GAAP, SFAS No. 130, *Reporting Comprehensive Income* establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net earnings and all other changes in shareholders' equity that do not result from transactions with shareholders. Such changes include cumulative foreign currency translation adjustments and the changes in the market value of the forward foreign exchange contracts considered as hedges against cash flow items. The Statement does not affect the Company's financial position or results of operations.

Accumulated other comprehensive income, which resulted from (a) the change in functional currency in fiscal 2004 and (b) the market value of the forward foreign exchange contracts considered as hedges against cash flow items, is as follows:

	2005	2004	2003
Opening balance	**$ 27,705**	$26,248	$ —
Change during the year	**580**	1,457	—
Cumulative translation adjustment	**—**	—	26,248
	$ 28,285	$27,705	$26,248

Under Canadian GAAP, the cumulative translation adjustment account is disclosed as a separate component of shareholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2005, October 3, 2004 and October 5, 2003
(In thousands of US dollars, except share and per share amounts)

CANADIAN AND UNITED STATES ACCOUNTING DIFFERENCES (continued)

(e) Supplementary information:

Under United States GAAP and Securities and Exchange Commission rules, separate disclosure is required for the following statement of earnings and balance sheet items. There is no similar requirement under Canadian GAAP.

	2005	2004	2003
Statements of earnings:			
Rental expenses	**$ 3,517**	$ 2,826	$ 2,281
Advertising expenses	**5,760**	5,148	5,050
Balance sheets:			
Accounts payable	**43,234**	40,040	35,395
Accrued liabilities	**43,486**	34,458	30,836
Allowance for doubtful accounts, price discounts and rebates	**42,258**	23,460	21,614

(19) COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

EXHIBIT 99.3



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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Gildan Activewear Inc.

We hereby consent to the use of our Auditors' Report dated November 25, 2005 relating to the consolidated financial statements of Gildan Activewear Inc. as at October 2, 2005 and October 3, 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years ended October 2, 2005, October 3, 2004 and October 5, 2003 included in this Annual Report on Form 40-F of Gildan Activewear Inc.

/s/ KPMG LLP

Chartered Accountants

December 22, 2005

Montreal, Canada

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

EXHIBIT 99.4

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a)

I, Glenn J. Chamandy, President and Chief Executive Officer of Gildan Activewear Inc., certify that:

1. I have reviewed this annual report on Form 40-F of Gildan Activewear Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit and finance committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: December 22, 2005

/s/ Glenn J. Chamandy
Name: Glenn J. Chamandy
Title: President and Chief Executive Officer

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a)

I, Laurence G. Sellyn, Executive Vice-President, Finance and Chief Financial Officer of Gildan Activewear Inc., certify that:

1. I have reviewed this annual report on Form 40-F of Gildan Activewear Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit and finance committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: December 22, 2005

/s/ Laurence G. Sellyn
Name: Laurence G. Sellyn
Title: Executive Vice-President, Chief Financial and Administrative Officer

EXHIBIT 99.5

CERTIFICATION
REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE

Gildan Activewear Inc. (the "Corporation") is filing its annual report on Form 40-F for the fiscal year ended October 2, 2005 (the "Report") with the United States Securities and Exchange Commission.

I, Glenn J. Chamandy, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: December 22, 2005

/s/ Glenn J. Chamandy
Name: Glenn J. Chamandy
Title: President and Chief Executive Officer

CERTIFICATION
REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE

Gildan Activewear Inc. (the "Corporation") is filing its annual report on Form 40-F for the fiscal year ended October 2, 2005 (the "Report") with the United States Securities and Exchange Commission.

I, Laurence G. Sellyn, Executive Vice-President, Finance and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: December 22, 2005

/s/ Laurence G. Sellyn
Name: Laurence G. Sellyn
Title: Executive Vice-President, Chief Financial and Administrative Officer