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 1, 2006 **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:
60,113,834

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		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 was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes	þ	No	



GILDAN ACTIVEWEAR INC.

ANNUAL INFORMATION FORM

for the year ended October 1, 2006

December 20, 2006

GILDAN ACTIVEWEAR INC.

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Except as otherwise indicated, the information contained herein is given as of December 20, 2006, 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 and joint ventures.*

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:

- *2006 Annual Report; and*

- *2006 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. Please refer to the cautionary statement at page 22 of this Annual Information Form.

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 imprinted sportswear 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 40 directly or indirectly wholly-owned subsidiaries, which include the following principal 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 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 a sewing facility in Port-au-Prince, Haiti and which will operate an integrated cutting, sewing and distribution centre in Port-au-Prince, Haiti;
- ***Gildan Activewear (Louverture), S.A.***, a Haitian corporation, which operates a sewing facility 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 sewing facilities in Castaños and San Buenaventura, Mexico;
- ***Gildan Activewear Mexico, S.A. de C.V.***, a Mexican corporation, which is 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 manufacturing 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 manufacturing 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 and which will operate our Martinsville, Virginia distribution facility;
- ***Gildan Activewear Dominican Republic Textile Company Inc.***, a Barbados corporation, which operates our integrated textile manufacturing facility in Bella Vista, Dominican Republic;
- ***Gildan Activewear Properties (Dominican Republic) Inc.***, a Barbados corporation, which owns the real estate where our integrated textile manufacturing facility is located in Bella Vista, Dominican Republic; and
- ***Kentucky Derby Hosiery Co., Inc***., a Kentucky corporation, which manufactures and sells socks ("Kentucky Derby").

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 to gain market share in our core market, the wholesale distributor channel serving screenprinters in the United States, Canada and Europe. We are also continuing with the next major stage of our growth strategy, which is to develop Gildan as a leading consumer brand for high-volume, basic, frequently replenished, non-fashion apparel, and have accelerated this strategy with the acquisition of a U.S. sock manufacturer, Kentucky Derby. In addition, we are continuing to invest in major capacity expansion projects to support our sales growth objectives and have further developed our vertically-integrated manufacturing hubs in Central America and the Caribbean Basin. For changes in our business that are expected to occur during fiscal 2007, see "Description of the Business Business Overview Strategy".

Retail Market Initiative

In fiscal 2005, as an initial step into the retail market, we began selling our existing activewear products to U.S. and Canadian regional retailers for sale without logos or decoration. In fiscal 2006, we expanded our product-line to include underwear and basic athletic socks. In addition, in the fourth quarter, we completed the acquisition of Kentucky Derby, which is intended to enhance and accelerate our strategy to enter the North American mass-market retail channel.

In order to support our retail market strategy, during fiscal 2006 we completed the construction of a new state-of-the-art manufacturing facility at our Rio Nance manufacturing complex in Honduras for the large-scale production of athletic socks and began the construction of a third state-of-the-art integrated textile manufacturing facility for the production of fleece. We expect to ramp up our sock facility to full capacity by the second half of fiscal 2008 and begin production at our fleece facility in the second half of fiscal 2007.

Acquisition of U.S. Sock Manufacturer

On July 6, 2006, we acquired 100% of the common shares of Kentucky Derby, a U.S. sock manufacturer based in Hopkinsville, Kentucky. The total purchase price of $20.4 million was paid in cash at closing, with the exception of approximately $0.5 million, which was settled through the issuance of Gildan Common Shares.

Kentucky Derby has annual sales in excess of $130 million, consisting primarily of private label programs for U.S. mass-market retailers. We intend to utilize Kentucky Derby's experience and distribution with mass-market retailers to enhance our platform to develop Gildan as a consumer brand in basic athletic socks, underwear and activewear, while continuing to focus on serving the needs of our customers in the wholesale distribution channel and continuing to support Kentucky Derby's private label programs and brand licenses.

We are currently in the process of integrating Kentucky Derby and expect to achieve the full benefits of the integration by the end of fiscal 2008.

Restructuring of Canadian and U.S. Textile Manufacturing Operations

During fiscal 2006, consistent with our ongoing strategy to enhance our overall cost structure by maximizing large-scale production of basic t-shirts at our textile manufacturing operations in Honduras and the Dominican Republic, we announced the restructuring of our Canadian manufacturing operations, to take effect in December 2006. This included the closure of our textile manufacturing facility in Valleyfield, Québec and the reduction in the operations of our knitting facility in Montreal, Québec, as well as our cutting facility in Bombay, New York. Also in fiscal 2006, we announced the closure and downsizing of sock manufacturing capacity located in North Carolina and Virginia, which will be undertaken during the first half of fiscal 2007.

We continue to significantly increase our overall capacity through major new expansions in both our Central American and Caribbean Basin manufacturing hubs and will continue on an ongoing basis to evaluate the role and global competitiveness of our Canadian textile and U.S. sock manufacturing facilities within our overall capacity planning to support our growth strategy.

Yarn-Spinning

In the second quarter of fiscal 2005, we closed our Canadian yarn-spinning plants in Long Sault, Ontario and Montreal, Québec 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 they were no longer able to operate at an efficient level of capacity utilization.

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 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 is currently running at a comparable scale of production to our mature first textile facility in Honduras. We will continue to maximize production levels and cost efficiencies at this facility during fiscal 2007.

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 constructing two new integrated world-scale facilities, one for the production of fleece, and one for the production of athletic socks. During fiscal 2006, we completed the construction of the sock manufacturing facility and began the construction of the fleece textile facility. We expect to ramp up our sock facility to full capacity by the second half of fiscal 2008 and begin production at our fleece facility in the second half of fiscal 2007.

With the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006, we also operate sock manufacturing facilities in North Carolina and Virginia.

Sewing

In fiscal 2005, we began production in three new sewing facilities located in Choloma, Honduras, Rivas, Nicaragua and Port-au-Prince, Haiti.

In fiscal 2006, we commenced operations in a new sewing facility located in Villanueva, Honduras. During the last quarter of fiscal 2006, we signed lease agreements for an integrated cutting, sewing and distribution facility in Port-au-Prince, Haiti, as well as for a new building under construction in Rivas, Nicaragua. We expect to begin production at these facilities in the first quarter and the second quarter of fiscal 2007, respectively. In addition to our own facilities, we supplement our production by using third party contractors in Haiti and the Dominican Republic.

Distribution

In fiscal 2004, we supplemented our existing third party distribution centre located in Bletchley-Milton Keynes, United Kingdom, with three additional third party distribution centres located in Brisbane, Australia, Meer, Belgium and Ontario, California. In fiscal 2004, we also began a major expansion of our distribution centre in Eden, North Carolina, which was completed in the second quarter of fiscal 2005.

In fiscal 2006, we added a new distribution centre in Choloma, Honduras to better serve our European customers as well as two new third party distribution centres located in Monterrey, Mexico and Mississauga, Ontario to better serve our Mexican and Canadian customers, respectively. In September 2006, we announced the closure of our distribution centre located in Montreal, Québec effective October 2006.

Finally, in August 2006, as part of our overall plan to integrate the operations of Kentucky Derby and to support future capacity requirements for our retail initiative, we announced plans to invest approximately $7 million in a new 400,000 square foot retail distribution centre in Martinsville, Virginia and to relocate and consolidate Kentucky Derby's existing distribution centres at multiple sites in Danville, Virginia and Mt. Airy, North Carolina to this single location. This new distribution centre will be fully dedicated to supporting our retail distribution plans. The relocation and consolidation of Kentucky Derby's distribution centres is expected to result in improved operating efficiencies and lower transportation costs, as well as faster customer response times. The installation of equipment in this facility, together with the associated warehouse management information system, is expected to be completed during the second quarter of fiscal 2007. Our existing distribution centre in Eden, North Carolina will remain fully dedicated to providing the capacity required for Gildan's anticipated future growth in the wholesale distribution channel.

Capital Expenditures

In the last three fiscal years, we have invested an aggregate of approximately $220 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 was 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 vertically-integrated marketer and manufacturer of activewear, underwear and socks. We operate in one business segment, being high-volume, basic, frequently replenished, non-fashion apparel. We are the leading supplier of activewear for the wholesale imprinted sportswear market in the United States and Canada, and also a leading supplier for this market in Europe. "Imprinted" sportswear is decorated with a screenprint or embroidered with a logo, design or character before it reaches the end user.

In fiscal 2005, as part of our growth strategy, we began to implement a major new initiative to sell our products into the mass-market retail channel in North America. In conjunction with these plans, in fiscal 2006, we expanded our product-line to include underwear and basic athletic socks. In the fourth quarter of fiscal 2006, we enhanced and accelerated our retail market initiative by acquiring Kentucky Derby, a U.S. sock manufacturer, and intend to use this strategic acquisition as a platform to build the Gildan brand in athletic socks, underwear and activewear.

Over the past several years, we have significantly increased our sales and earnings. From fiscal 1993 through fiscal 2006, our sales have grown from $24.0 million to $773.2 million, representing a compounded annual growth rate of 30.6%. Sales in the fourth quarter of fiscal 2006 included the sales of our new subsidiary, Kentucky Derby.

Strategy

We believe that our success in developing our vertically-integrated manufacturing hubs has allowed us to provide our customers with low prices, consistent product quality and a reliable supply chain, and has been the main reason that we have been able to rapidly increase our market presence and establish our market leadership in the imprinted sportswear market. These are the same factors that management believes will allow Gildan to be successful in building a consumer brand in the retail channel.

We believe that our vertically-integrated manufacturing operations allow us to provide a combination of competitive prices and premium quality products and to deliver superior value to our customers. We are able to price our products competitively because of our success in reducing 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.

We intend to continue to expand capacity through the acquisition of modern, automated equipment for all aspects of our manufacturing process to maximize productivity and achieve high efficiency rates.

We are implementing a five-year plan to approximately triple our unit sales volumes and continue to achieve significant manufacturing efficiencies. Our growth strategy comprises the following four initiatives:

Continue to increase market share in the U.S. wholesale imprinted sportswear market in all product categories. During fiscal 2006, we further increased our leading market share position in the U.S. wholesale distributor network in the t-shirt and sport shirts categories as reported in the S.T.A.R.S Report produced by ACNielsen Market Decisions (the "S.T.A.R.S. Report"). In addition, we gained significant share in the fleece category, reaching the number two market share position. We believe we will continue to increase market share in this channel due to our competitive strengths and the addition of low cost production capacity.

Leverage our successful business model to enter the mass-market retail channel and develop Gildan as a consumer brand. We plan to continue to sell the same basic undecorated activewear apparel products into the retail channel, as well as our new complementary products, underwear and athletic socks, which also leverage our existing core competencies, successful business model and competitive strengths. Our goal is to continue to provide a value proposition, which combines quality, service and competitive pricing. We intend to follow the same pricing strategy as in the wholesale market, by using our cost efficiencies to lower selling prices. Our main competitors in the retail channel for basic family apparel products are essentially the same as in the wholesale channel.

During fiscal 2006, we expanded our presence in the retail channel, particularly with U.S. regional retailers. Following our recent acquisition of Kentucky Derby, we intend to use Kentucky Derby's experience and distribution with mass-market retailers to build Gildan as a consumer brand in athletic socks, underwear and activewear in the mass-market retail channel.

Increase penetration in Europe and other international markets. We expect to pursue further market penetration within our existing served wholesale markets in Europe, Mexico and Australia, in addition to pursuing further international market expansion opportunities. During fiscal 2006, we began to sell Gildan products in Mexico.

Support unit sales growth and maintain pricing competitiveness through continued significant investments in low-cost production capacity. To support our projected continuing sales growth, in fiscal 2006 we ramped up our new Dominican Republic facility to close to full capacity. In addition, we completed the construction of our sock facility in Honduras, which we expect to ramp up to full capacity by the second half of fiscal 2008. We also began construction of a world-scale integrated facility for the production of fleece, which is expected to begin production in the second half of fiscal 2007. Our land and infrastructure in Central America and the Caribbean Basin can accommodate further major capacity expansion on the same sites. During the next five years, we expect to invest approximately $400 million in capital expenditures to support our projected sales growth. All of the organic capacity expansions that we plan to undertake over the next five years are expected to be financed by internally generated funds.

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 and Uncertainties" section of the management's discussion and analysis on pages 37 to 40 of the 2006 Annual Report. As well, the nature of our 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.

Market Overview

Our target market for activewear, underwear and socks is characterized by low fashion risk compared to many other apparel markets, since products are basic and produced in a limited range of sizes, colours and styles, and since logos and designs for the screenprint market are not imprinted or embroidered by manufacturers.

While the majority of our sales are currently derived from the sale of activewear through the wholesale distribution channel, in fiscal 2006 we continued to expand our entry into the retail channel, concentrating on regional retailers that we can service well with the production capacity that we have available. As we ramp up our major capacity expansion projects in the Caribbean Basin and Central America, we will increasingly be in a position to service major mass-market retailers. We believe that providing a superior value proposition predicated on reliable product quality and comfort, combined with efficient customer service and competitive pricing, the same factors that contribute to our success in the wholesale channel, will allow us to be successful in penetrating the retail channel.

We believe that growth for our activewear products has been driven by several market 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.

In addition, reductions in manufacturing costs, combined with quality enhancements in activewear apparel, such as pre-shrunk fabrics, improved fabric weight, blends and construction, have provided consumers with superior products at lower prices.

Products

We specialize in the large-scale marketing and manufacturing of basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume, automatic replenishment programs. Our product offering focuses on core basic activewear styles sold in various fabrics, weights and colours for the adult, ladies and youth markets. 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. In fiscal 2006, we also introduced a variety of styles of men's and boys' underwear and athletic socks into our product-line. Typically, our product offering is characterized by low fashion risk, since products are basic and produced in a limited range of sizes, colours and styles. Our products for the wholesale channel for screenprinters are produced and sold without logos and designs.

T-shirts

T-shirts represented 77% of our sales in fiscal 2006 and 80% in fiscal 2005. 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 (5.5 oz. per sq. yd.) and the Gildan Activewear Ultra Blend ® 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, 2006, we maintained our number one position in the U.S. wholesale distributor network in the t-shirt category as reported in the S.T.A.R.S. Report. The data in the S.T.A.R.S. Report for the period includes information provided by the largest wholesale distributor, which has renewed its participation in the S.T.A.R.S. Report.

Fleece Products

In fiscal 2006 and fiscal 2005, fleece products represented 14% and 12% of our sales, respectively. 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 maintained the number two position in the U.S. wholesale distributor network in the overall fleece category for the nine-month period ended September 30, 2006 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, 2006. This segment is well serviced with our Ultra Cotton® products featuring 80% cotton/20% polyester blend and a 9.5 oz. per sq. yd. weight.

Sport Shirts

In fiscal 2006 and fiscal 2005, sport shirts represented approximately 6% and 8% of our sales, respectively. We produce sport shirts in a variety of weights, sizes, colours and styles, with or without a pocket. Our 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. We maintained our position as the leader in the U.S. wholesale distributor network in the sport shirt category, as reported in the S.T.A.R.S. Report for the nine-month period ended September 30, 2006.

Other Products

Since fiscal 2006, we began to sell men's and boys' packaged underwear and basic athletic socks and, with the acquisition of Kentucky Derby, we are now selling socks in a variety of sizes, styles and colours in the infants', children's, girls', boys', ladies' and men's markets.

Marketing and Sales

We market our products directly to wholesale distributors and retail customers through our sales force. For our wholesale customers, 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. With the acquisition of Kentucky Derby, we now have a sales office in Hopkinsville, Kentucky, which has a small sales force that manages the customer relationships with our retail accounts.

Our wholesale activewear marketing strategy concentrates primarily on the wholesale distribution channel catering to screenprinters, embroiderers and advertising specialty distributors. We also promote our products through appearances at tradeshows and trade magazine advertising and also engage in various forms of co-operative advertising with our major customers, including print advertising, catalogues and mailings and product sampling programs. Our marketing strategy in the retail channel will be based on delivering consistent, reliable product quality to our customers at lower prices rather than consumer advertising.

Customers

In fiscal 2006, we sold our products in the United States, Canada and Europe and other markets, which accounted for 88.0%, 6.5% and 5.5% 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 20(b) (ii) to the audited annual consolidated financial statements of the Corporation included in our 2006 Annual Report, which is incorporated herein by reference.

Due to wholesaler and retailer consolidation, the customer base to which we sell and are targeting to sell our products is composed of a relatively small number of significant customers. We currently sell our products to approximately 180 customers. In fiscal 2006, our largest customer accounted for 28.2% of total sales, and our top ten customers accounted for 66.0% of total sales.

The large majority of total sales in fiscal 2006 were made through our wholesale distributors. Although we have long-term ongoing relationships with our distributor network, our contracts with our customers do not require them to purchase a minimum quantity of our products. Instead, we meet with them 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.

We have begun selling a full Gildan brand product-line of activewear, underwear and athletic socks without logos or decoration to U.S. and Canadian regional retailers and U.S. mass-market retailers.

Raw Materials

Cotton and polyester fibres 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 cotton-polyester blend yarn. Polyester pricing is negotiated on an annual basis, while cotton fibre pricing is fixed in the futures markets.

During fiscal 2006, all of our yarn requirements for all of our product-lines were met by our long-term supply agreements with Frontier and Parkdale America, LLC ("Parkdale"), as well as by our jointly-owned CanAm yarn-spinning facilities in Cedartown, Georgia and Clarkton, North Carolina. We expect that our yarn requirements will continue to be met by these sources.

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 service. 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 plan to continue in fiscal 2007 to implement initiatives to enhance our information technology (IT) processes and infrastructure based on the Information Technology Infrastructure Library (ITIL), a framework of best practices approaches intended to facilitate the delivery of high quality IT services.

Seasonality

The activewear business is seasonal. Typically, demand for t-shirts 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. Demand for our sock products is typically highest in the first and fourth quarters of each fiscal year, stimulated largely by the need to support requirements for the back-to-school period and peak retail selling during the Christmas holiday season.

As a result of the historical seasonal trends, 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.

Competition

The apparel market for our products is highly competitive. Competition is generally based upon price, with reliable quality and service also being key requirements for success. Our primary competitors in North America are the major U.S.-based manufacturers of basic branded activewear for the wholesale and retail channels, such as Fruit of the Loom, Inc., Hanesbrands Inc., the Jerzees division of Russell Corporation, which was recently acquired by Berkshire Hathaway Inc., which owns Fruit of the Loom, Inc., Delta Apparel Inc. and Anvil Knitwear, Inc.

The competition in the European wholesale imprinted activewear market is similar to that in North America as we compete primarily with the European divisions of the larger U.S.-based manufacturers. In Europe, we also have large competitors that do not have integrated manufacturing operations and source products from contractors in Asia.

For the first nine months of fiscal 2006, our market share in the U.S. wholesale distributor network was 43.7% in the overall t-shirt category, 32.2% in the sport shirt category and 30.8% in the fleece category. All U.S. market share data is based on the S.T.A.R.S. Report.

Trade Regulatory Environment

Although textile and apparel industries worldwide have historically enjoyed significant protections, in recent years trade liberalization and trade preference programs have diminished this protection somewhat. Our increasingly globalized production and sourcing and our increased market coverage have helped us to benefit from changes in the international regulatory climate.

United States

Qualifying imports into the United States enjoy the benefits of free trade agreements with Australia, Bahrain, Chile, Israel, Jordan, Morocco and Singapore, as well as the benefits of the North American Free Trade Agreement ("NAFTA") and the U.S.-Dominican Republic-Central America Free Trade Agreement ("CAFTA").

NAFTA is an agreement among Canada, the United States and Mexico that grants duty-free treatment to originating textile and apparel goods. None of the benefits of NAFTA apply to our goods sewn outside the NAFTA countries.

CAFTA presently includes the United States, El Salvador, Guatemala, Honduras and Nicaragua, and is expected to include Costa Rica and the Dominican Republic within the next year. In the meantime, these two countries are included in the Caribbean Basin Trade Partnership Act ("CBTPA") discussed below. All CAFTA originating textile and apparel goods traded among the CAFTA countries are duty-free. The garments we knit and sew in CAFTA countries from U.S. yarn are thus CAFTA originating and duty-free when imported into the United States. CAFTA permits the use of safeguards in the form of reinstatement of normal duties if increased imports cause or threaten to cause substantial injury to a domestic industry.

Textiles and apparel imported into the United States have also benefited from U.S. preference grants under programs such as the CBTPA, the African Growth and Opportunity Act ("AGOA") and the Andean Trade Promotion and Drug Eradication Act ("ATPDEA"). Our Haiti production is covered under the CBTPA. These programs allow duty-free entry of apparel articles into the United States, subject to certain origin rules and other restrictions. The Corporation and its competitors have participated in these programs. ATPDEA and certain features of AGOA expire within the next year, but Congress is considering extensions. CAFTA replaces CBTPA in countries participating in CAFTA.

A potential obstacle to the U.S. importation of textiles and apparel is the safeguard regime that limits imports of Chinese textiles and apparel, through a system of absolute quotas for the years 2006, 2007 and 2008.

Canada

Textile and apparel imports into Canada benefit from both free trade agreements and preference programs. Canada is part of NAFTA with Mexico and the United States, and Canada has a separate bilateral free trade agreement with Chile. Textile and apparel products originating from approximately 48 Least Developed Countries ("LDCs") are also allowed into Canada duty-free and quota-free under certain rules of origin.

Mexico

Imports into Mexico may receive the benefit of NAFTA, the benefits of bilateral free trade agreements with Bolivia, Chile, Costa Rica, the European Union, Israel, Japan, Nicaragua and Uruguay, and the benefits of two additional regional trade agreements: one among Colombia, Mexico and Venezuela, and one among El Salvador, Guatemala, Honduras and Mexico.

European Union

In addition to free trade arrangements among the individual countries in the European Union, the European Union has preferential trade agreements with other European countries and with countries outside of Europe. Of significance to the Corporation is the free trade agreement between the European Union and Mexico. The European Union also has a Generalized System of Preferences program that permits duty-free entry into the European Union of qualifying articles, including apparel, from developing countries.

A safeguard agreement limiting imports of Chinese textile and apparel into the European Union will expire at the end of 2007.

Australia

Australia has a free trade agreement with the United States. Additionally, Australia has introduced legislation similar to the legislation in force in Canada to allow duty-free and quota-free entry of textiles and apparel articles from LDCs.

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, as well as in Australia. Applications for the registration of a number of other trademarks, including "Gildan Activewear" and "Gildan", 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, control and manage 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. In line with our commitment to the environment as well as to the health and safety of our employees, 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 Manufacturing Operations

Textile Operations

Yarn-Spinning. We currently conduct yarn-spinning operations at facilities located in Cedartown, Georgia and Clarkton, North Carolina through CanAm, our 50%/50%-owned joint venture with Frontier. These yarn-spinning facilities supply our textile manufacturing facilities with 100% cotton U.S. origin yarn.

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 textile facility in Rio Nance, Honduras, and at our integrated textile facility in Bella Vista, Dominican Republic. At these facilities, we operate circular and flat knitting machines, producing jersey, piqué and ribbing in body-sized fabrics in tubular form using cotton and cotton/polyester yarns. Our second integrated textile facility in Rio Nance is expected to begin knitting, dyeing, finishing and cutting operations for the production of fleece in the second half of fiscal 2007.

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 Montreal, Québec and, until December 2006, to our dyeing and finishing facility in Valleyfield, 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 dyeing and finishing facility and, until December 2006, the Valleyfield dyeing and finishing facility, 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.

Sock Production. During fiscal 2006, we completed the construction of our new integrated sock manufacturing facility in Rio Nance, Honduras for the production of athletic socks and we began production in this facility in early fiscal 2007. With the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006, we also conduct knitting and finishing operations for the production of socks in Mt. Airy, North Carolina and knitting operations in Hillsville, Virginia. We also utilize third party contractors to complement our product offering and fulfill our customer needs.

Sewing Operations

We conduct our sewing operations primarily through our four facilities in Honduras, our two facilities in Mexico, our three facilities in Haiti and our two facilities in Nicaragua. In addition to these eleven facilities, we supplement our production by using third party contractors in Haiti and the Dominican Republic. These facilities provide us with substantially all of our market sewing assembly requirements.

Distribution Operations

We distribute our products to wholesale customers in the United States from a 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 customers on the U.S. west coast.

In the fourth quarter of fiscal 2006, we announced plans to invest approximately $7 million in a new 400,000 square foot retail distribution centre in a leased building in Martinsville, Virginia and to relocate and consolidate Kentucky Derby's existing distribution centres at multiple sites in Danville, Virginia and Mt. Airy, North Carolina to this single location. This new distribution centre will be fully dedicated to supporting our retail distribution plans. The relocation and consolidation of Kentucky Derby's distribution centres is expected to result in improved operating efficiencies and lower transportation costs, as well as faster customer response times. The installation of equipment in this facility, together with the associated warehouse management information system, is expected to be completed during the second quarter of fiscal 2007. Our existing distribution centre in Eden, North Carolina will remain fully dedicated to providing the capacity required for Gildan's anticipated future growth in the wholesale distribution channel.

As of the beginning of the first quarter of fiscal 2007, our Canadian wholesale and retail customers are serviced from a third party distribution centre located in Mississauga, Ontario. This distribution centre in Mississauga replaces our distribution centre in Montreal, Québec, which was closed effective October 2006, and provides us with greater flexibility in meeting our Canadian customers' needs.

Customers in Europe are serviced from distribution centres operated by third parties in Meer, Belgium and Bletchley-Milton Keynes, United Kingdom and, as of the fourth quarter of fiscal 2006, from our new distribution centre in Choloma, Honduras. Customers in Australia are serviced from a distribution centre operated by a third party in Brisbane, Australia. In fiscal 2006, we began utilizing a new distribution centre operated by a third party in Monterrey, Mexico to service our Mexican customers.

Properties

The following table sets forth the location and use of each of our principal properties:

Location	Use	Owned or Leased
Montreal, Québec	Executive offices	Owned
Montreal, Québec	Knitting facility	Owned
St. Michael, Barbados	Executive offices	Owned
Valleyfield, Québec	Dyeing and finishing facility (1)	Owned
Montreal, Québec	Dyeing and finishing facility	Owned
Bombay, New York	Cutting facility	Leased
Rio Nance, Honduras	Knitting, dyeing, finishing and cutting facility	Owned
Rio Nance, Honduras	Knitting, dyeing, finishing and cutting facility (2)	Owned
Rio Nance, Honduras	Integrated sock manufacturing facility (3)	Owned
Bella Vista, Dominican Republic	Knitting, dyeing, finishing and cutting facility	Owned
San Pedro Sula, Honduras	Sewing facility	Leased
Choloma, Honduras	Sewing facility	Leased
Choloma, Honduras	Sewing facility	Leased
Choloma, Honduras	Wholesale distribution facility	Leased
Villanueva, Honduras	Sewing facility	Leased
Castaños, Mexico	Sewing facility	Owned
San Buenaventura, Mexico	Sewing facility	Leased
San Marcos, Nicaragua	Sewing facility	Leased
Rivas, Nicaragua	Sewing facility	Leased
Rivas, Nicaragua	Sewing facility (4)	Leased
Port-au-Prince, Haiti	Sewing facility	Leased
Port-au-Prince, Haiti	Sewing facility	Leased
Port-au-Prince, Haiti	Cutting, sewing and distribution facility (5)	Leased
Montreal, Québec	Distribution facility (6)	Owned
Eden, North Carolina	Wholesale distribution facility	Owned
Cedartown, Georgia	Yarn-spinning facility	Owned(7)
Clarkton, North Carolina	Yarn-spinning facility	Leased(7)
Hopkinsville, Kentucky	Offices (8)	Owned
Mt. Airy, North Carolina	Manufacturing, warehousing and offices (9)	Owned
Mt. Airy, North Carolina	Manufacturing, warehousing and offices (10)	Leased
Hillsville, Virginia	Manufacturing, warehousing and offices (11)	Owned

Location	Use	Owned or Leased
Bentonville, Arkansas	Offices	Leased
Danville, Virginia	Manufacturing and warehousing (12)	Owned
Danville, Virginia	Manufacturing	Leased
Shanghai, China	Offices	Leased
Martinsville, Virginia	Retail distribution facility	Leased

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(1) This facility was closed effective December 2006.
(2) This facility is expected to begin production in the second half of fiscal 2007.
(3) This facility began production in early fiscal 2007.
(4) Under construction.
(5) This facility is expected to begin operations in the first quarter of fiscal 2007.
(6) This facility was closed effective October 2006.
(7) Jointly with Frontier.
(8) Two locations.
(9) Five locations.
(10) Eight locations.
(11) Two locations.
(12) Three locations.

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 most of our sewing plants in Honduras, for our main Mexican sewing facility, and for our two sewing plants in Nicaragua. 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. We have developed a comprehensive action plan to obtain FLA accreditation in 2007.

Since fiscal 2005, we have engaged Vérité, an internationally respected training and auditing organization to carry out a comprehensive and ongoing program of training and auditing at all of our Gildan-owned and contractor manufacturing facilities. In addition, this year we recruited an internationally respected Director of Corporate Social Responsibility to develop our training, auditing and compliance programs.

3.3 Risk Factors

Please see the "Risks and Uncertainties" section of our management's discussion and analysis on pages 37 to 40 of the 2006 Annual Report.

3.4 Employees

As at October 1, 2006, we employed 14,509 full-time employees. Of these employees, 308 Canadian employees at our Valleyfield, Québec and Montreal, Québec dyeing and finishing facilities are covered by collective bargaining agreements that have each been renewed for three years. We closed the Valleyfield facility effective December 2006. 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 our revolving term credit facility and senior notes 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 1, 2006 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 3 to 31, 2005	46.70	37.29	4,561,600	October 3 to 31, 2005	39.78	32.03	3,021,100
November 2005	45.50	40.50	4,643,000	November 2005	38.55	34.45	2,852,400
December 2005	51.09	45.00	3,871,600	December 2005	43.58	38.55	2,320,400
January 2006	56.44	50.02	3,876,800	January 2006	49.21	43.00	3,265,600
February 2006	59.17	54.56	3,504,700	February 2006	51.52	47.76	2,708,500
March 2006	61.23	53.80	4,920,300	March 2006	53.03	46.00	5,059,700
April 2006	58.08	51.21	6,104,300	April 2006	50.17	44.06	4,235,200
May 2006	55.00	45.55	6,290,900	May 2006	49.00	40.03	4,819,900
June 2006	53.00	42.26	5,860,300	June 2006	47.54	38.24	5,337,300
July 2006	52.99	44.00	5,066,200	July 2006	47.42	39.03	4,461,800
August 2006	55.95	47.15	3,998,400	August 2006	50.51	41.72	4,074,100
September 2006	58.12	53.19	3,891,800	September 2006	51.93	47.26	2,965,700

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	68	Corporate Director	February 1999
Glenn J. Chamandy Montreal, Québec, Canada	45	President and Chief Executive Officer of the Corporation	May 1984
William D. Anderson [1][3] Montreal, Québec, Canada	57	Corporate Director	June 2006
Sheila O'Brien (2)(3) Calgary, Alberta, Canada	59	President, Belvedere Investments (private investment company)	June 2005
Pierre Robitaille[1][2] St-Lambert, Québec, Canada	63	Business Advisor and Corporate Director	February 2003
Richard P. Strubel [1][3] Chicago, Illinois, United States	67	Corporate Director	February 1999
Gonzalo F. Valdes-Fauli[1][2] Key Biscayne, Florida, United States	60	Chairman of BroadSpan Capital LLC (an investment banking firm)	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	45	President, Chief Executive Officer and Director
Laurence G. Sellyn [1] [2] Beaconsfield, Québec, Canada	57	Executive Vice-President, Chief Financial and Administrative Officer
Michael R. Hoffman [1] St. James, Barbados	44	President, Gildan Activewear SRL
Georges Sam Yu Sum [1] [2] Montreal, Québec, Canada	49	Executive Vice-President, Operations
Gregg Thomassin [1] [2] Baie D'Urfé, Québec, Canada	47	Executive Vice-President, Corporate Controller
Benito Masi [1] [2] Laval, Québec, Canada	51	Executive Vice-President, Manufacturing
Cam Gentile [1] [2] Hudson, Québec, Canada	64	Executive Vice-President, Organizational Development and Change Management
Claude Guay [1] [2] Montreal, Québec, Canada	45	Executive Vice-President, Chief Information Officer
Eric R. Lehman[1] [2] Kennesaw, Georgia, USA	45	Executive Vice-President, Supply Chain
William H. Nichol, Jr. [1] Hopkinsville, Kentucky, USA	55	President, Retail Sales Division

(1) Executive Management Committee.
(2) Officer 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 (life insurance provider), Host Hotels & Resorts Inc. (luxury hotels and resorts), Covance Inc. (drug development products and services provider) and Partner Re Ltd. (multi-line reinsurance provider). He is also a trustee of the Rubin Museum of Art in New York City, a corporation member of the Woods Hole Oceanographic Institution, an overseer of the University of Pennsylvania Museum, and a member of the Advisory Council of the Economics Department of Princeton University. He was formerly a director of Gryphon Holdings, Inc. (insurance) and of the Wharton International Forum, an executive education program. Mr. Baylis retired from Credit Suisse First Boston as Vice-Chairman in 1996, after thirty-three years with this investment banking firm and its associated corporations, including a term as the Chairman and Chief Executive Officer of Credit Suisse First Boston (Pacific). Mr. Baylis was educated at Harvard Business School and is a chartered financial analyst.

William D. Anderson has had a career as a business leader in Canada spanning over thirty years. Mr. Anderson joined the Bell Canada organization in 1992, where from 1998 to 2001 he served as Chief Financial Officer of BCE Inc., Canada's largest telecommunications company. From 2001 to 2005, Mr. Anderson served as President of BCE Ventures (the strategic investment unit of BCE Inc.) and he was the Chairman and Chief Executive Officer of Bell Canada International Inc. (a subsidiary of BCE that was formed to invest in telecommunications operations outside Canada), where he continues to serve as a member of the board. Prior to joining the Bell Canada organization, Mr. Anderson was in public practice for nearly twenty years with the accounting firm KPMG, where he was a partner for eleven years. Mr. Anderson also serves on the boards of directors of TransAlta Corporation (power generation and energy marketing) and Four Seasons Hotels Inc. (luxury hotels and resorts). Mr. Anderson was educated at the University of Western Ontario and is a member of the Institute of Chartered Accountants of Ontario.

Sheila O'Brien, CM is President of Belvedere Investments, a private investment company, and is also a business consultant and corporate director. She has had a thirty-year career as a senior executive in the oil and gas and petrochemical sectors in the areas of human resources, investor relations and public and government relations. Prior to 2004, Ms. O'Brien was Senior Vice-President, Human Resources, Public Affairs, Investor and Government Relations at NOVA Chemicals Corporation, a producer of commodity plastics and chemicals, where she was the architect of a corporate restructuring practice that was designated a world wide best practice by Watson Wyatt Consulting Firm. She has also been active on the boards of directors of over thirty public sector and not-for-profit organizations and was awarded the Order of Canada for her community leadership in 1998. Ms. O'Brien is a member of the Board of Trustees of Transforce Income Trust (a Canadian transportation company) and MaRS (a Toronto-based biotechnology accelerator). In addition to her corporate career, she has worked in a senior executive capacity at the University of Calgary. She is a graduate of the MTC program at the University of Western Ontario and completed a one-year sabbatical on creativity and innovation at various U.S. schools in 1990.

Pierre Robitaille is a business advisor and a corporate director. Mr. Robitaille previously pursued his career at SNC-Lavalin Group Inc., a global 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 boards of directors of Nav Canada (civil air navigation services provider), Swiss Re Company of Canada and Swiss Re Life & Health Co. Canada (reinsurance companies) and National Public Relations Capital Partnership Inc. (national public relations consulting firm). Mr. Robitaille is a Fellow member of the Québec Order of Chartered Accountants. He was educated at HEC-University of Montreal and McGill Business School.

Richard P. Strubel is a corporate director and is Vice-Chairman of the Board of Cardean Learning Group (formerly known as Unext), a provider of advanced education over the Internet, where from 1999 to 2004 he served as President and Chief Operating Officer. From 1990 to 1999, Mr. Strubel was Managing Director of Tandem Partners, Inc., a privately-held management services firm, and from 1984 to 1994, he served as President and Chief Executive Officer of Microdot, Inc. Prior to that, Mr. Strubel served as President of Northwest Industries, then a NYSE-listed company, which included Fruit of the Loom and BVD among its operating entities. Mr. Strubel also serves on the boards of directors of the mutual funds of Goldman Sachs & Co., Goldman Sachs Hedge Fund Partners and Mutual Funds of Northern Trust. Mr. Strubel is also Trustee of the University of Chicago and Chairman of its Audit Committee. Mr. Strubel was educated at Harvard Business School.

Gonzalo F. Valdes-Fauli is Chairman of the Board of BroadSpan Capital LLC, 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, where he held the position of Vice-Chairman, Barclays Capital, and Group CEO, Latin America. Mr. Valdes-Fauli also serves on the boards of directors of Blue Cross Shield of Florida (health insurance provider), where he is Lead Chairman, and Republic Bank of Dominican Republic (financial services provider), where he is Chairman of the Board. He is also Trustee Emeritus of the University of Miami. Mr. Valdes-Fauli holds a Master's Degree in international finance from Thunderbird Graduate School for International Management.

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 joined Gildan in February 1999 as Corporate Controller and was appointed to the position of Executive Vice-President in November 2003. 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 over 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.

Cam Gentile joined the Corporation in 2006 as Executive Vice-President, Organizational Development and Change Management. He has over thirty years of experience in the pulp and paper industry in senior management positions at Domtar Inc., Transcontinental Printing Inc., Paperboard Industries International Inc. and Uniboard Canada Inc. He is currently a member of the Order of Engineers of Québec, President and Chairman of the Board of Directors of the Québec Institute of Graphic Communications, a member of the External Advisory Board to the Faculty of Arts and Science of Concordia University, as well as Vice-President and member of the board directors of Village Theatre in Hudson, Québec.

Claude Guay joined the Corporation as Executive Vice-President, Chief Information Officer in October 2006. His career spans more than twenty years in international executive management at IBM Corporation and Accovia Inc., as well as at MTI Services, a company he founded in 2005. Mr. Guay is a graduate of Industrial Engineering from l'École Polytechnique de Montréal and has been a professional engineer since 1984. He also acts as the Networking Officer for the Québec Chapter Board of Directors of the Young Presidents' Organization.

Eric R. Lehman joined the Corporation in December 2006 as Executive Vice-President, Supply Chain. He has over twenty years of experience in the supply chain function with major national apparel brands. Prior to joining Gildan, Mr. Lehman was employed by Russell Corporation, where he last served as Vice President of Supply Chain. Prior to that, he held senior supply chain planning positions at both Fruit of the Loom, Inc. and the Hanes Division of Sara Lee Corporation.

William H. Nichol, Jr. assumed the position of President, Retail Sales Division, upon the Corporation's acquisition of Kentucky Derby. Previously, Mr. Nichol served as Chairman and Chief Executive Officer of Kentucky Derby since 1985. Mr. Nichol is President-elect of The Hosiery Association, a national trade association that represents the manufacturers of more than 85% of the hosiery produced in the United States.

As at December 20, 2006, the executive officers and directors of the Corporation as a group own 5,656,272 Common Shares, which represents 9.40% 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 is a business advisor and corporate director. He is retired from SNC-Lavalin Group Inc., a global 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 the firm's national board of directors. Mr. Robitaille is a member of the boards of directors of Swiss Re Company of Canada and Swiss Re Life & Health Co. Canada (national reinsurance companies), Nav Canada (civil air navigation services provider) and National Public Relations Capital Partnership Inc. (national public relations consulting firm). 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. Mr. Robitaille is a Fellow member of the Québec Order of Chartered Accountants. He was educated at HEC-University of Montreal and McGill Business School.

William D. Anderson – Mr. Anderson is a chartered accountant and has had a business career spanning over thirty years. From 1998 to 2001, he served as Chief Financial Officer of BCE Inc., Canada's largest telecommunications company. Most recently, Mr. Anderson served as President of BCE Ventures (the strategic investment unit of BCE Inc.) and previously he was the Chairman and Chief Executive Officer of Bell Canada International Inc. (a subsidiary of BCE that was formed to invest in telecommunications operations outside Canada). Prior to joining the Bell Canada organization in 1992, Mr. Anderson was in public practice for nearly twenty years with the accounting firm KPMG, where he was a partner for eleven years. Mr. Anderson also serves on the boards of directors of TransAlta Corporation (power generation and energy marketing) and Four Seasons Hotels Inc. (luxury hotels and resorts). Mr. Anderson was educated at the University of Western Ontario and is a member of the Institute of Chartered Accountants of Ontario.

Richard P. Strubel – Mr. Strubel is a corporate director and is Vice-Chairman of the Board of Cardean Learning Group, where he previously served as President and Chief Operating Officer. Prior to that, Mr. Strubel served as Managing Director of Tandem Partners, Inc., a privately-held management services firm, President and Chief Executive Officer of Microdot, Inc. and President of Northwest Industries, then a NYSE-listed company with sales in excess of $3 billion. Mr. Strubel is also 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. Mr. Strubel has more than twenty-five years of experience in executive positions overseeing large operating corporations. Mr. Strubel is also Trustee of the University of Chicago and Chairman of its Audit Committee. He was educated at 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 CEO 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 also serves on the board of directors of Blue Cross Blue Shield of Florida, where he is Lead Chairman. Mr. Valdes-Fauli is a Trustee Emeritus of the University of Miami. He has more than thirty years of experience in finance and holds a Master's Degree in international finance from Thunderbird Graduate School for International Management.

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 2006 and 2005 were as follows:

Audit Fees — The aggregate audit fees billed by KPMG 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$1,196,100 for fiscal 2006 and Cdn$687,287 for fiscal 2005. The audit fees for fiscal 2006 include fees relating to KPMG's audit of management's assessment of internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were Cdn$94,025 for fiscal 2006 and Cdn$74,700 for fiscal 2005. These services consisted of miscellaneous assurance services.

Tax Fees — The aggregate tax fees billed by KPMG were Cdn$322,785 for fiscal 2006 and Cdn$262,659 for fiscal 2005. These services consisted of tax compliance, including the review of tax returns, assistance regarding income, capital and sales tax audits, the preparation of annual transfer pricing studies, tax advisory services relating to domestic and international taxation and customs and duties.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were Cdn$169,860 for fiscal 2006 for services associated with financial due diligence and Cdn$3,178 for fiscal 2005 for services associated with the assistance of statutory filing requirements.

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 contract outside the ordinary course of business.

12. INTERESTS OF EXPERTS

KPMG, the external auditors of the Corporation, reported on the fiscal 2006 audited consolidated financial statements of the Corporation, which were filed with the securities regulatory authorities. We are advised that, as at the date hereof, the members of KPMG are independent in accordance with the Code of Ethics of Chartered Accountants (Québec).

13. FORWARD – LOOKING INFORMATION

Certain statements included in this Annual Information Form 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, and are subject to important risks, uncertainties and assumptions. This forward-looking information includes, amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. 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 Corporation's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the "Risks and Uncertainties" section of the management's discussion and analysis on pages 37 to 40 of the 2006 Annual Report, for a discussion of the various factors that may affect the Corporation'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.

The results or events predicted in such forward-looking information may differ materially from actual results or events. Material factors, which could cause actual results or events to differ materially from a conclusion, forecast or projection in such forward-looking information, include, but are not limited to:

- general economic conditions such as currency exchange rates, commodity prices and other factors over which we have no control;
- the impact of economic and business conditions, industry trends and other external and political factors in the countries in which we operate;
- the intensity of competitive activity;
- changes in environmental, tax, trade and other laws and regulations;
- our ability to implement our strategies and plans;
- our ability to complete and successfully integrate acquisitions;
- changes in customer demand for our products and our ability to maintain customer relationships and grow our business;
- the seasonality of our business;
- our ability to attract and retain key personnel;
- changes in accounting policies; and
- disruption to manufacturing and distribution activities due to the impact of weather, natural disasters and other unforeseen adverse events.

This may cause the Corporation'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. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Corporation's business. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset writedowns or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our 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 Annual Information Form are made as of the date hereof, 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 Annual Information Form are expressly qualified by this cautionary statement.

14. 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 2006 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. Evaluation of disclosure controls and procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of, and with the participation of, our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 40-F. Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of such period.

D. Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our principal executive officer and our principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of October 1, 2006, based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

Management's assessment of the effectiveness of our internal control over financial reporting as of October 1, 2006 excluded Kentucky Derby Hosiery Co., Inc. ("KDH"), which we acquired on July 6, 2006. KDH is a wholly-owned subsidiary of ours whose total assets and total sales represented less than 11% of our consolidated total assets and less than 4% of our consolidated sales, respectively, as of and for the year ended October 1, 2006. Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company under guidelines established by the SEC.

E. Attestation report of the registered public accounting firm.

KPMG LLP ("KPMG"), an independent registered public accounting firm, who audited and reported on our financial statements attached as Exhibit 99.2 to this Annual Report on Form 40-F, has issued an attestation report on management's assessment of our internal control over financial reporting as of October 1, 2006. The attestation report is included on page 47 of the financial statements attached as Exhibit 99.2 to this Annual Report on Form 40-F.

F. Changes in internal controls over financial reporting.

We made improvements to our internal controls over financial reporting during the period covered by this Annual Report on Form 40-F in preparation for our first annual management report on internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

G. Audit Committee Financial Experts

The Registrant's board of directors has determined that it has at least three (3) audit committee financial experts serving on its audit committee. Mr. Pierre Robitaille, Mr. Gonzalo F. Valdes-Fauli and Mr. William D. Anderson 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, Mr. Valdes-Fauli and Mr. Anderson as audit committee financial experts does not make Mr. Robitaille, Mr. Valdes-Fauli and Mr. Anderson "experts" for any purpose, impose any duties, obligations or liability on Mr. Robitaille, Mr. Valdes-Fauli and Mr. Anderson 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.

H. 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.

I. Principal Accountant Fees and Services

In addition to retaining 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 2006. 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$1,196,100 for fiscal 2006 and CDN$687,287 for fiscal 2005. The audit fees for fiscal 2006 include fees relating to KPMG's audit of management's assessment of internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were CDN$94,025 for fiscal 2006 and CDN$74,700 for fiscal 2005. These services consisted of miscellaneous assurance services.

Tax Fees — The aggregate tax fees billed by KPMG were CDN$322,785 for fiscal 2006 and CDN$262,659 for fiscal 2005. These services consisted of tax compliance, including the review of tax returns, assistance regarding income, capital and sales tax audits, the preparation of annual transfer pricing studies, tax advisory services relating to domestic and international taxation and customs and duties.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were CDN$169,860 for fiscal 2006 for services associated with financial due diligence and CDN$3,178 for fiscal 2005 for services associated with the assistance of statutory filing requirements.

All fees billed to the Registrant by KPMG in fiscal 2006 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.

J. 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 32 of its MD&A (see Exhibit 99.1). As disclosed in Note 13 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 $37.4 million at October 1, 2006.

Derivative Financial Instruments

From time to time, the Registrant uses forward foreign exchange contracts, primarily in Canadian dollars, British pounds and Euros, to hedge cash flows related to sales and operating expenses 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 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 and Uncertainties" section of its MD&A beginning on page 37 (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.

For the years ended October 1, 2006 and October 2, 2005, net earnings included recognized gains relating to derivative financial instruments of $4.6 million and $5.8 million, respectively.

The following table summarizes the Registrant's commitments to buy and sell foreign currencies as at October 1, 2006 and October 2, 2005:

	Notional Amount	Exchange Rate	Maturity	Notional US dollar Equivalent
	(in thousands)			(in thousands)
2006:				
Buy contracts:				
Foreign exchange contracts:	**€9,756**	**1.2056 to 1.2696**	**Oct. 2006 - June 2007**	**$11,934**
	CDN$6,250	**0.8961**	**Oct. 2006**	**5,600**
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**

The fair value of the forward foreign exchange contracts, based on quoted market values, was $0.5 million as at October 1, 2006 and $3.0 million as at October 2, 2005.

K. Tabular Disclosure of Contractual Obligations

See page 32 of Exhibit 99.1.

L. 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.

M. Identification of the Audit Committee

The Registrant has a standing Audit Committee established in accordance with Section 3 (a) (58) (A) of the Exchange Act. The members of the Registrant's Audit Committee are Pierre Robitaille, William D. Anderson, Richard P. Strubel and Gonzalo F. Valdez-Fauli. See the Audit Committee Disclosure section of our Annual Information Form included herein for additional information.

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 20, 2006

GILDAN ACTIVEWEAR INC.	
By:	/s/ Lindsay Matthews
Name:	Lindsay Matthews
Title:	Director, Legal Services and Corporate Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	Management's Discussion and Analysis of the Registrant for the year ended October 1, 2006
99.2	Audited comparative consolidated financial statements of the Registrant as at and for the year ended October 1, 2006
99.3	Consent of KPMG LLP
99.4	Schedule "D" – Statement of Corporate Governance Practices to the Registrant's Notice of Annual Meeting of Shareholders and Management Proxy Circular dated as of December 8, 2006 (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 22, 2006)
99.5	Reconciliation to United States GAAP.
99.6	Officers' Certifications Required by Rule 13a-14(a) or Rule 15d-14(a)
99.7	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

MD&A

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

This Management's discussion and analysis (MD&A) comments on Gildan's operations, performance and financial condition as at and for the years ended October 1, 2006 and October 2, 2005, compared to the preceding years. For a complete understanding of our business environment, trends, risks and uncertainties and the effect of accounting estimates on our results of operations and financial condition, this MD&A should be read together with the audited Consolidated Financial Statements and the related notes. This MD&A is dated December 13, 2006. All amounts in this report are in U.S. dollars, unless otherwise noted.

All financial information contained in this MD&A and in the 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 audited Consolidated Financial Statements and this MD&A were reviewed by Gildan's Audit and Finance Committee and were approved by our Board of Directors.*

Additional information about Gildan, including our 2006 Annual Information Form, is available on our website at www.gildan.com, on the SEDAR website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission website (which includes the Annual Report on Form 40-F) at www.sec.gov.

This document contains forward-looking statements, which are qualified by reference to, and should be read together with the "Forward-looking Statements" cautionary notice on page 43.

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

Our Business

Gildan is a vertically-integrated marketer and manufacturer of activewear, underwear and socks. The Company operates in one business segment, being high-volume, basic, frequently replenished, non-fashion apparel. We are the leading supplier of activewear for the wholesale imprinted sportswear market in the U.S. and Canada, and also a leading supplier for this market in Europe. In 2005, as part of our growth strategy, we began to implement a major new initiative to sell our products into the mass-market retail channel in North America. In conjunction with these plans, in fiscal 2006, we expanded our product-line to include underwear and athletic socks.

Effective July 6, 2006, Gildan completed the acquisition of Kentucky Derby Hosiery Co., Inc. (Kentucky Derby), a U.S. hosiery manufacturer with corporate headquarters in Hopkinsville, Kentucky. This acquisition is intended to enhance and accelerate Gildan's strategy to enter the North American mass-market retail channel. Gildan intends to use Kentucky Derby's experience and distribution with mass-market retailers to enhance its platform to develop Gildan as a consumer brand in basic athletic socks, underwear and activewear, while continuing to focus on serving the needs of our customers in the wholesale distribution channel and continuing to support Kentucky Derby's private label programs and brand licenses.

Our Products

We specialize in large-scale marketing and manufacturing of basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume automatic replenishment programs. Our product offering focuses on core basic activewear styles sold in various fabrics, weights and colours. In fiscal 2006, we also introduced a variety of styles of men's and boys' underwear and athletic socks into our product-line. Typically, our product offering is characterized by low fashion risk, since products are basic and produced in a limited range of sizes, colours and styles. Our products for the wholesale channel for screenprinters are produced and sold without logos and designs.

We sell activewear, namely T-shirts, sport shirts and fleece, in large quantities to wholesale distributors as undecorated "blanks", which are subsequently decorated by screenprinters with designs and logos. Consumers ultimately purchase the Company's products, with the Gildan label, in venues such as sports, entertainment and corporate events, and travel and tourism destinations. Other end-uses include work uniforms and similar applications to convey individual, group and team identity.

In the retail channel, we have complemented our activewear product-line by introducing in 2006 a variety of styles of men's and boys' underwear and athletic socks.

Our Manufacturing and Distribution Facilities

To support our sales in the various markets, we have built and are continuing to build modern manufacturing facilities located in Central America and the Caribbean Basin. We also operate manufacturing facilities in North America. We established our largest manufacturing hub in Central America in Rio Nance, Honduras with our first offshore integrated knitting, bleaching, dyeing, finishing and cutting facility, which became operational in 2002. During 2005, we purchased additional land adjacent to our Rio Nance facility for the purpose of constructing two new integrated world-scale facilities, one for the production of fleece, and one for the production of athletic socks. During 2006, we completed the construction of the sock manufacturing facility, and began the construction of the fleece textile facility. We expect to ramp up our sock facility to full capacity by the second half of fiscal 2008 and begin production at our fleece facility in the second half of fiscal 2007.

Following the success of our first Rio Nance facility and the need to add capacity to support our projected continuing sales growth in activewear and underwear, Gildan established a manufacturing hub in Bella Vista, Dominican Republic. The Dominican Republic facility began production in fiscal 2005 and is currently running at a comparable scale of production to our mature textile facility in Honduras. We will continue to maximize production levels and cost efficiencies at the Dominican Republic facility during fiscal 2007.

During the course of this fiscal year, consistent with our ongoing strategy to enhance our overall cost structure by maximizing large-scale production of basic T-shirts at our textile manufacturing operations in Honduras and the Dominican Republic, we announced the restructuring of our Canadian manufacturing operations, to take effect in December 2006. This included the closure of our textile manufacturing facility in Valleyfield, Quebec, and the reduction in the operations of our knitting facility in Montreal, Quebec, as well as our cutting facility in Bombay, New York. Also, in fiscal 2006, we announced the closure and downsizing of sock manufacturing capacity located in North Carolina and Virginia, which will be undertaken during the first half of fiscal 2007. We continue to significantly increase our overall capacity through major new expansions in both our Central American and Caribbean Basin manufacturing hubs, and will continue on an ongoing basis to evaluate the role and global competitiveness of our Canadian textile and U.S. sock manufacturing facilities within our overall capacity planning to support our growth strategy.

Our sewing facilities are primarily located in Central America, Mexico and the Caribbean Basin. We also utilize third-party contractors to complement our vertically-integrated production.

CanAm Yarns, LLC (CanAm), our joint-venture company with Frontier Spinning Mills, Inc. (Frontier), operates yarn-spinning facilities in Georgia and North Carolina. CanAm's yarn-spinning operations, together with supply agreements currently in place with Frontier and other third-party yarn providers, serve to meet our yarn requirements.

We distribute our products in the U.S. primarily out of our company-owned distribution centre in Eden, North Carolina, and use third-party warehouses in Canada, Mexico, Europe and Australia to service our customers in these markets.

In addition, during the year, as part of our overall plan to integrate the operations of Kentucky Derby and to support future capacity requirements for our retail initiative, we announced plans to invest approximately $7 million in a new 400,000 square foot retail distribution centre in Martinsville, Virginia and to relocate and consolidate Kentucky Derby's existing distribution centres, at multiple sites in Virginia and North Carolina, to this single location. This new distribution centre will be fully dedicated to supporting our retail distribution plans. The relocation and consolidation of Kentucky Derby's distribution centres will result in improved operating efficiencies and lower transportation costs, as well as faster customer response times. The installation of equipment in this facility, together with the associated warehouse management system, is expected to be completed during the second quarter of fiscal 2007. Our existing distribution centre in Eden, North Carolina will remain fully dedicated to providing the capacity required for Gildan's anticipated further growth in the wholesale distribution channel.

Our corporate head office is located in Montreal, Canada and we employ over 15,000 full-time employees worldwide.

Market Overview

Our target market for activewear, underwear and socks is characterized by low fashion risk compared to many other apparel markets, since products are basic and produced in a limited range of sizes, colours and styles, and since logos and designs for the screenprint market are not imprinted or embroidered by manufacturers.

The apparel market for our products is highly competitive. Competition is generally based upon price, with reliable quality and service also being key requirements for success. Our primary competitors in North America are the major U.S.-based manufacturers of basic branded activewear for the wholesale and retail channels, such as Fruit of the Loom, Inc., Hanesbrands Inc., the Jerzees division of Russell Corporation, which was recently acquired by Berkshire Hathaway Inc. which owns Fruit of the Loom, Inc., Delta Apparel, Inc., and Anvil Knitwear, Inc. The competition in the European wholesale imprinted active-wear market is similar to that in North America, as we compete primarily with the European divisions of the larger U.S.-based manufacturers. In Europe, we also have large competitors which do not have integrated manufacturing operations and source products from contractors in Asia.

Due to wholesaler and retailer consolidation, the customer base to which we sell and are targeting to sell our products is composed of a relatively small number of significant customers.

While the majority of our sales is currently derived from the sale of activewear through the wholesale distribution channel, in 2006 we continued to expand our entry into the retail channel, concentrating on regional retailers that we can service well with the production capacity that we have available. As we ramp up our major capacity expansion projects in the Caribbean Basin and Central America, we will increasingly be in a position to service major mass-market retailers. We believe that providing a superior value proposition predicated on reliable product quality and comfort, combined with efficient customer service and competitive pricing, the same factors that contribute to our success in the wholesale channel, will allow us to be successful in penetrating the retail channel.

We believe that growth for our activewear products has been driven by several market 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.

In addition, reductions in manufacturing costs, combined with quality enhancements in activewear apparel, such as pre-shrunk fabrics, improved fabric weight, blends and construction have provided consumers with superior products at lower prices.

Strategy and Financial Objectives

We believe that our success in developing our vertically-integrated manufacturing hubs has allowed us to provide our customers with low prices, consistent product quality and a reliable supply chain, and has been the main reason that we have been able to rapidly increase our market presence and establish our market leadership in the imprinted sportswear market. These are the same factors that management believes will allow Gildan to be successful in building a consumer brand in the retail channel.

We believe that our vertically-integrated manufacturing operations allow us to provide a combination of competitive prices and premium quality products and to deliver superior value to our customers. We are able to price our products competitively because of our success in reducing 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.

We intend to continue to expand capacity through the acquisition of modern, automated equipment for all aspects of our manufacturing process to maximize productivity and achieve high efficiency rates.

We are implementing a five-year plan to approximately triple our unit sales volumes and continue to achieve significant manufacturing efficiencies. Our growth strategy comprises the following four initiatives:

1. Continue to increase market share in the U.S. wholesale imprinted sportswear market in all product categories

During fiscal 2006, we further increased our leading market share position in the U.S. wholesale distributor network in the T-shirt and sport shirts categories as reported in the S.T.A.R.S. Report produced by ACNielsen Market Decisions. In addition, we gained significant share in the fleece category, reaching the number two market share position. We believe we will continue to increase market share in this channel due to our competitive strengths and the addition of low cost production capacity.

2. Leverage our successful business model to enter the mass-market retail channel and develop Gildan as a consumer brand

We plan to continue to sell the same basic undecorated activewear apparel products into the retail channel, as well as our new complementary products, underwear and athletic socks, which also leverage our existing core competencies, successful business model and competitive strengths. Our goal is to continue to provide a value proposition, which combines quality, service and competitive pricing. We intend to follow the same pricing strategy as in the wholesale market, by using our cost efficiencies to lower selling prices. Our main competitors in the retail channel for basic family apparel products are essentially the same as in the wholesale channel.

During 2006, we expanded our presence in the retail channel, particularly with U.S. regional retailers. Following our recent acquisition of Kentucky Derby, we intend to use Kentucky Derby's experience and distribution with mass-market retailers to build Gildan as a consumer brand in athletic socks, underwear and activewear in the mass-market retail channel.

3. Increase penetration in Europe and other international markets

We expect to pursue further market penetration within our existing served wholesale markets in Europe, Mexico and Australia, in addition to pursuing further international market expansion opportunities. During fiscal 2006, we began to sell Gildan products in Mexico.

4. Support unit sales growth and maintain pricing competitiveness through continued significant investments in low-cost production capacity

To support our projected continuing sales growth, in fiscal 2006 we ramped up our new Dominican Republic facility to close to full capacity. In addition, we completed the construction of our sock facility in Honduras, which we expect to ramp up to full capacity by the second half of fiscal 2008. We also began construction of a world-scale integrated facility for the production of fleece, which is expected to begin production in the second half of fiscal 2007. Our land and infrastructure in Central America and the Caribbean Basin can accommodate major capacity expansion on the same sites. We currently expect to invest approximately $400 million during the next five years in capital expenditures to support our projected sales growth. All of the organic capacity expansions that we plan to undertake over the next five years are expected to

be financed by internally generated funds.

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 and Uncertainties" section of this MD&A beginning on page 37. 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.

Operating Results

Selected Annual Information

(in $ millions, except per share amounts)

	2006	2005	2004
Sales	**773.2**	653.9	533.4
Cost of sales	**521.1**	450.6	378.7
Gross profit	**252.1**	203.3	154.7
Selling, general and administrative expenses	**84.4**	73.8	58.3
Restructuring and other charges	**20.4**	11.8	4.6
	147.3	117.7	91.8
Depreciation and amortization	**32.4**	25.6	22.3
Interest, net	**3.1**	4.6	6.2
Non-controlling interest in income of consolidated joint venture	**0.2**	0.1	–
Earnings before income taxes	**111.6**	87.4	63.3
Income taxes	**4.8**	1.4	3.1
Net earnings	**106.8**	86.0	60.2
Basic EPS[(1)]	**1.78**	1.44	1.02
Diluted EPS[(1)]	**1.76**	1.43	1.01
Total assets	**723.3**	597.5	488.8
Total long-term liabilities[(2)]	**47.1**	64.1	66.0

Certain minor rounding variances exist between the financial statements and this summary.

(1) All earnings per share data reflect the effect of the stock split as described on page 33.
(2) Includes long-term debt, future income taxes and non-controlling interest in consolidated joint venture.

Operating Results for the year ended October 1, 2006, compared to the year ended October 2, 2005

Non-GAAP Financial Measures

We use non-GAAP measures to assess our operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We use non-GAAP measures such as adjusted net earnings, adjusted diluted EPS, EBITDA, free cash flow, total indebtedness and net debt to measure our performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe such measures provide meaningful information on the Company's financial condition and operating results.

We refer the reader to page 41 for the definition and complete reconciliation of all non-GAAP financial measures used and presented by the Company to the most directly comparable GAAP financial measures.

Business Acquisition

Effective July 6, 2006, we acquired 100% of the common shares of Kentucky Derby, a U.S. hosiery manufacturer with corporate headquarters in Hopkinsville, Kentucky. The total purchase price of $20.4 million, including transaction costs, was paid in cash except for approximately $0.5 million, which was settled through the issuance of common shares of Gildan. We accounted for this acquisition using the purchase method and the results of Kentucky Derby have been consolidated with those of Gildan from the date of acquisition. Please refer to Note 3 to the Consolidated Financial Statements for a summary of the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Sales

Sales for fiscal 2006 reached $773.2 million, up 18.2% from $653.9 million in fiscal 2005. The increase in sales was due mainly to a 14.5% increase in unit sales volumes for our activewear products, combined with the impact of a higher-valued product-mix, partially offset by an approximate 2.5% decline in activewear unit selling prices compared to last year. In addition, sales in the fourth quarter of this fiscal year included $30.0 million from the acquisition of Kentucky Derby, which was effective July 6, 2006. Excluding the acquisition of Kentucky Derby, sales were up 13.7%.

Market growth and share data presented for the U.S. wholesale distributor channel is based on the S.T.A.R.S. Report produced by ACNielsen Market Decisions. The S.T.A.R.S. data for the nine months ended September 30, 2006, includes information provided by the largest wholesale distributor, which has renewed its participation in the report. In order to calculate year-over-year growth rates, S.T.A.R.S. has adjusted comparative data for the nine months ended September 30, 2005.

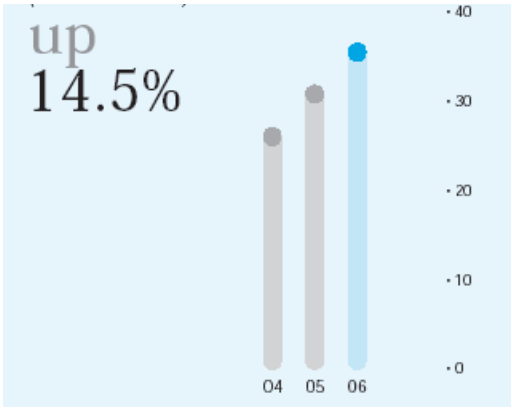
The table below summarizes the S.T.A.R.S. data for the nine months ended September 30, 2006:

		Nine months ended September 30, 2006 vs 2005	Nine months ended September 30, 2006
		Unit Growth	Gildan Market
	Industry	Gildan	Share
All Products	2.1%	**16.6%**	**42.6%**
T-shirts	2.4%	**16.9%**	**43.7%**
Sport shirts	(3.2%)	**1.9%**	**32.2%**
Fleece	1.4%	**23.7%**	**30.8%**

The increase in our unit sales volumes was due to continuing market share penetration, primarily in the T-shirt and fleece categories, and 2.1% growth in overall industry unit shipments in the nine months ended September 30, 2006. In the T-shirt category, we grew unit volumes by 16.9% for the nine months ended September 30, 2006, and increased our leading share in this category to 43.7%. We maintained our position as the leading brand in sport shirts with a 32.2% market share, where our volume grew by 1.9%, compared with an overall decline of 3.2% for the industry. In the fleece category, our volume growth significantly exceeded that of the industry. We grew our share to 30.8% and reached the number two market share position.

Sales

(in millions of dozens)[1]

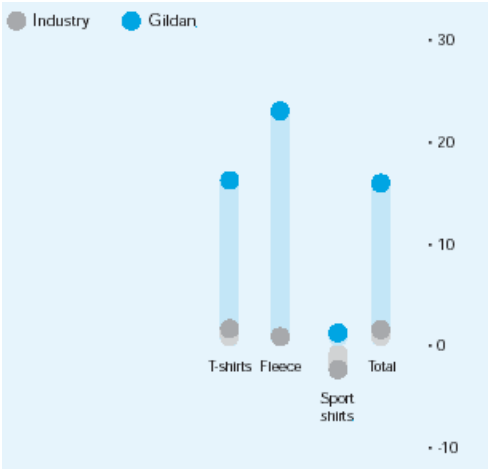


(1) activewear and underwear

We maintained a leading market share position in Canada and continued to expand our international business. In Europe, our unit sales increased 9.3% over fiscal 2005, and, in the fourth quarter, we added three major new distributors in the U.K. During fiscal 2006, we introduced our products in the wholesale distributor market in Mexico and continued to expand our distributor network in this market.

U.S. Industry Growth

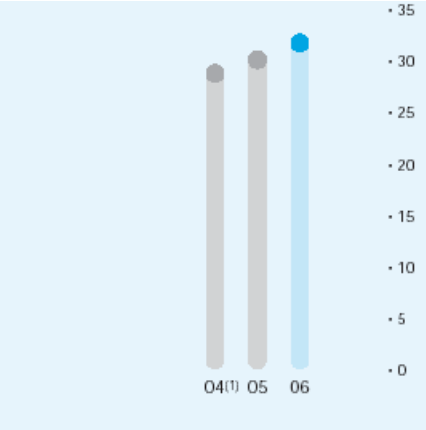
(based on unit sales (%))



Gross Profit

Gross profit is the result of our sales less cost of sales. Gross margin reflects gross profit as a percentage of sales. Our cost of sales includes all raw material costs, manufacturing conversion costs, sourcing costs and transportation costs incurred until the receipt of finished goods at our distribution facilities, but excludes depreciation expense. Cost of sales also includes costs relating to purchasing, receiving and inspection activities, manufacturing administration, third-party manufacturing services, insurance, internal transfers of finished goods, and customs and duties. Our gross margins may not be comparable to other companies, since some entities include depreciation expense and distribution costs in cost of sales, whereas we include them in depreciation and amortization and selling, general and administrative expenses, respectively.

Gross Margins
(%)



(1) Before the impact of the change in functional currency on cost of sales. See page 41.

Gross profit for fiscal 2006 was $252.1 million, or 32.6% of sales, compared to $203.3 million, or 31.1% of sales during fiscal 2005. The gross margin improvement in fiscal 2006 was due primarily to manufacturing efficiencies, lower cotton costs, and a favourable product-mix. In addition, the margin improvement reflected the impact of the reversal of a prior year reserve of $1.1 million for litigation related to cotton purchase contracts in fiscal 2001, which was resolved in Gildan's favour in the second quarter of this fiscal year. The positive variances in gross margin for the year were partly offset by the impacts of lower net selling prices, higher energy and transportation costs, and from the mix impact of the higher proportion of the lower margin sock sales following our recent acquisition of Kentucky Derby.

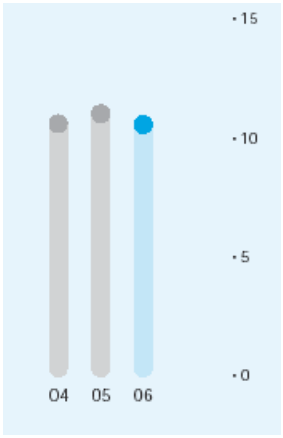
We continued to reduce our overall manufacturing costs by increasing the scale of production at our Dominican Republic textile facility, which ramped up to close to full capacity by the end of fiscal 2006.

Selling, General and Administrative Expenses

Our selling, general and administrative (SG&A) expenses include costs incurred subsequent to the receipt of finished goods at our distribution facilities, excluding depreciation expense and costs of inter-warehouse transfers of finished goods. The principal components of our SG&A expenses include warehousing and handling costs, the cost of shipping goods to customers, selling and administrative personnel costs, advertising and marketing expenses, leased facilities and equipment, professional fees, and other general and administrative expenses.

SG&A

(percentage of sales (%))



SG&A expenses were $84.4 million, or 10.9% of sales during fiscal 2006, compared to $73.8 million, or 11.3% of sales during fiscal 2005. The increase in SG&A expenses compared to last year stemmed primarily from higher volume-driven distribution costs, professional fees for the compliance with the requirements of Section 404 of the U.S. *Sarbanes Oxley Act of 2002*, and the impact of the stronger Canadian dollar, combined with the cost of ongoing organizational development to support our growth strategy. In addition, SG&A expenses included the acquisition of Kentucky Derby in the fourth quarter this fiscal year, which accounted for $4.4 million of the year-over-year increase. The increase in SG&A expenses for the year was partially offset by an adjustment to the reserve for doubtful accounts in the second quarter of this fiscal year.

Restructuring and Other Charges

The following table summarizes the components of restructuring and other charges for the years ended October 1, 2006, October 2, 2005 and October 3, 2004:

(in $ millions)	**2006**	2005	2004
Canadian textile manufacturing restructuring	**18.9**	–	–
Restructuring of yarn-spinning facilities	**–**	10.7	–
Charge to comply with employment contract	**1.5**	1.1	4.6
	20.4	11.8	4.6

Canadian Textile Manufacturing Restructuring

In September 2006, we announced a restructuring of our Canadian manufacturing operations to take effect in December 2006, involving the closure of our textile manufacturing facility in Valleyfield, Quebec and the downsizing of our knitting facility in Montreal, Quebec. We recorded a charge of $18.9 million relating to this restructuring and our concurrent re-assessment of the recoverability of the carrying values of our remaining Canadian textile manufacturing and related assets. Under our business model, there are essentially no tax recoveries with respect to this charge. The components of this charge include employee severance of $2.1million with respect to the Valleyfield and Montreal textile facilities, an asset impairment loss of $15.1 million relating to all of the Canadian textile and related manufacturing fixed assets, and other costs of $1.7 million. The Company was required to recognize asset impairment charges to reduce the carrying value of the fixed assets to fair value, because the carrying value of the assets exceeded the future cash flows which they were projected to generate during the balance of their estimated economic lives. As at October 1, 2006, all amounts accrued for severance and other costs remained unpaid and are included in "Accounts payable and accrued liabilities".

Restructuring of Yarn-Spinning Facilities

During fiscal 2005, we closed our two Canadian yarn-spinning facilities, and relocated a major portion of our yarn-spinning equipment to a North Carolina spinning facility operated by CanAm. We recorded a charge of $10.7 million during fiscal 2005 for the costs associated with this closure. The components of the charge included a writedown to fair value of the fixed assets not transferred to CanAm of $6.8 million, employee severance of $3.7 million, and other costs of $0.2 million.

The fixed assets not transferred to CanAm were classified as held for sale at their estimated fair values. Proceeds from assets held for sale of $4.1 million and $5.0 million were received, respectively in fiscal 2005 and in fiscal 2006. Severance costs were paid in full in fiscal 2005.

Charge to Comply With Employment Contract

During fiscal 2004, we expensed $4.6 million representing management's best estimate of the cost of financial obligations pursuant to an employment contract with the former Chairman and Co-Chief Executive Officer of the Company. The employment contract includes variable components related to the Company's financial and operating performance to fiscal 2009. This resulted in charges of $1.5 million in fiscal 2006 and $1.1 million in fiscal 2005.

Depreciation and Interest Expenses

Depreciation and amortization expense increased to $32.4 million in fiscal 2006, compared to $25.6 million in fiscal 2005. The increase in depreciation expense in fiscal 2006 was due to a higher capital asset base resulting from continued capital spending to support capacity expansion, in particular the Dominican Republic facility.

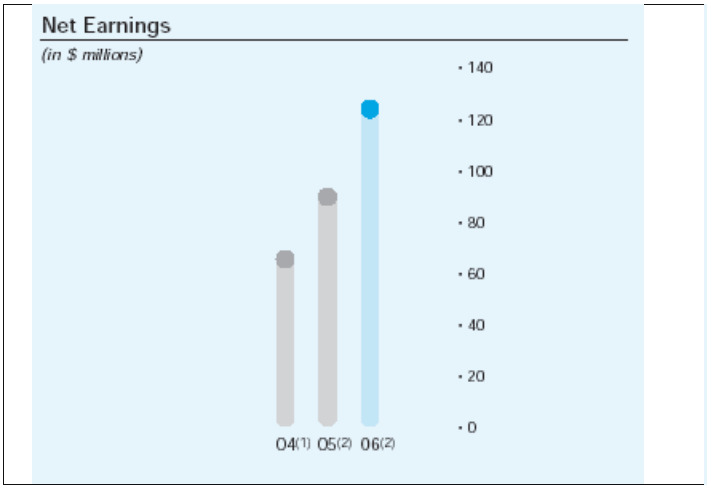
Net interest expense amounted to $3.1 million during fiscal 2006, down from $4.6 million in fiscal 2005. The decrease in net interest expense resulted from higher investment income and the reduction in overall debt, following the scheduled principal repayments made on the Company's Senior Notes. The increase in investment income was due to higher average cash balances during the year combined with higher interest rate returns compared to last year.

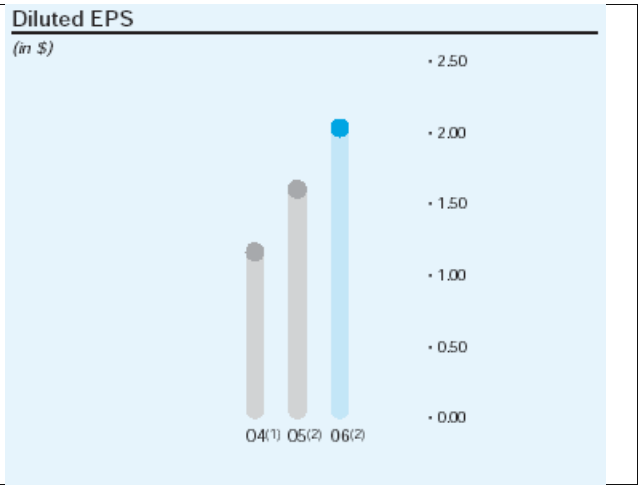
Income Taxes

Income tax expense for the year ended October 1, 2006, was $4.8 million, up $3.4 million from $1.4 million in fiscal 2005. The income tax expense for fiscal 2006 and fiscal 2005 included an income tax recovery of $0.4 million and $3.9 million, respectively, related to restructuring and other charges, as discussed on page 26. Excluding the impact of restructuring and other charges in both years, the income tax provision for the year ended October 1, 2006 was $5.2 million, resulting in an effective income tax rate of 3.9%, compared to an income tax provision of $5.3 million in fiscal 2005, reflecting an effective income tax rate of 5.3%. The decline in the effective income tax rate was mainly due to a higher proportion of our total sales being derived from our international operations and sourced from our offshore textile facilities.

Net Earnings

Net earnings for fiscal 2006 were $106.8 million and diluted earnings per share (EPS) were $1.76, up respectively 24.2% and 23.1% compared to net earnings of $86.0 million, or $1.43 per share in fiscal 2005. Net earnings for fiscal 2006 included restructuring and other charges of $20.0 million after tax, or $0.33 per share. Net earnings for fiscal 2005 included restructuring and other charges of $7.9 million after tax, or $0.13 per share. Excluding the impact of these restructuring and other charges, adjusted net earnings of $126.8 million, or $2.09 per share on a diluted basis in fiscal 2006, increased 35.0% and 34.0%, respectively, compared to adjusted net earnings of $93.9 million, or $1.56 per share in fiscal 2005. The increase in adjusted net earnings and adjusted diluted EPS resulted mainly from the continued strong growth in unit sales volumes and higher gross margins, which more than offset increases in SG&A and depreciation expenses.





(1) Adjusted net earnings and adjusted diluted EPS are before impact of restructuring and other charges and impact of change to U.S. dollar as functional currency. See page 24.
(2) Adjusted net earnings and adjusted diluted EPS are before impact of restructuring and other charges. See page 24.

Operating Results for the year ended October 2, 2005, compared to the year ended October 3, 2004

Change in Functional and Reporting Currency in Fiscal 2004

Effective October 6, 2003, we adopted the U.S. dollar as our functional currency since a significant portion of our revenues, expenses, assets and liabilities are denominated in U.S. dollars and our sales and manufacturing operations are increasingly international in scope. Effective the same date, the U.S. dollar was adopted as our 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 was 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.

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.

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.

Gross Profit

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 adjustment due to the change in functional currency, was $158.0 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.

We continued to reduce our overall manufacturing costs by increasing the output from our Honduran textile operations. Our Dominican Republic textile facility commenced operations in the third quarter of fiscal 2005 and continued to ramp up capacity in fiscal 2006.

Selling, General and Administrative Expenses

SG&A expenses were $73.8 million or 11.3% of sales during fiscal 2005, compared to $58.3 million or 10.9% of sales during fiscal 2004. The increase in SG&A expenses 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 our management and administrative infrastructure to support our growth strategy, and higher performance-related compensation costs.

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 our continued investment in capital expenditures to add capacity for long-term sales growth.

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

Income Taxes

Income tax expense for fiscal 2005 included an income tax recovery of $3.9 million from restructuring and other charges. Excluding the impact of restructuring and other charges, the income tax provision for fiscal 2005 was $5.3 million, resulting in an effective income tax rate of 5.3%. The income tax expense for fiscal 2004 included an income tax recovery of $1.4 million arising from restructuring and other charges. Excluding this tax recovery, the effective income tax rate for fiscal 2004 was 6.3%. The decline in the effective income tax rate was 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 share on a diluted basis, compared to $60.2 million, or diluted EPS of $1.01 in fiscal 2004, up respectively 42.9% and 41.6%. Before restructuring and other charges, adjusted net earnings for fiscal 2005 were $93.9 million or $1.56 per share. These results were up 40.8% and 39.3%, respectively from net earnings of $66.7 million or $1.12 per share in fiscal 2004, after adjusting 2004 earnings to remove 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 restructuring and other charges. 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 SG&A and depreciation expenses.

Summary of Quarterly Results

The table below sets forth certain summarized unaudited quarterly financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the annual audited Consolidated Financial Statements. The operating results for any quarter are not necessarily indicative of the results to be expected for any period.

The activewear business is seasonal and we have historically experienced quarterly fluctuations in operating results. Typically, demand for our T-shirts 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 that experienced by other companies in the activewear industry. While we began selling socks in the fourth quarter of fiscal 2006, demand for our sock products is typically highest in the first and fourth quarters of each fiscal year, stimulated largely by the need to support requirements for the back-to-school period and peak retail selling during the Christmas holiday season. Management anticipates that the seasonality we have historically experienced will continue in the future, although it is expected to be somewhat mitigated by our product diversification. As a result of the historical seasonal sales trends, 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.

Fourth Quarter Results

Sales in the fourth quarter amounted to $235.2 million, up 30.2% from $180.7 million in the fourth quarter of last year. The increase in sales revenues was due to $30.0 million of sock sales resulting from the acquisition of Kentucky Derby, which was effective from July 6, 2006, a 13.7% increase in unit sales volumes for activewear and the impact of a higher-valued activewear product-mix, partially offset by a close to 3% reduction in unit selling prices for active-wear compared to last year. The growth in activewear unit sales was due to continuing market share penetration in all product categories in the U.S. distributor channel.

Gross margins in the fourth quarter of fiscal 2006 were 30.6%, versus 32.3% in the fourth quarter of 2005. The decrease in gross margins was entirely attributable to the impact of lower margins from the sale of socks, which do not yet reflect the anticipated cost synergies from the planned rationalization of our sock manufacturing operations. Excluding the impact of Kentucky Derby, gross margins in the fourth quarter of fiscal 2006 were 32.5%. The slight increase in gross margins for activewear reflected favourable manufacturing efficiencies and higher-valued product-mix compared to last year, essentially offset by lower selling prices.

Selling, general and administrative expenses in the fourth quarter were $23.6 million, or 10.1% of sales, compared to $20.1 million, or 11.1% of sales, in the fourth quarter of last year. The increase in SG&A expenses was due to the impact of the acquisition of Kentucky Derby, higher volume-related distribution costs and professional fees for compliance with Section 404 of the U.S. *Sarbanes Oxley Act of 2002*, partly offset by severance costs incurred in the fourth quarter of fiscal 2005 and lower performance-related compensation costs in the fourth quarter of this fiscal year. The increase of $1.9 million in depreciation and amortization expenses was due to our continuing investments in capacity expansion, combined with the impact of the Kentucky Derby acquisition.

The income tax rate for the fourth quarter of fiscal 2006 was 6.3% compared to an income tax rate of 4.1% in the fourth quarter of fiscal 2005. Excluding the impact of restructuring and other charges in both years, the effective income tax rate for the fourth quarter of fiscal 2006 was 4.0% compared to an effective income tax rate of 3.4% for fiscal 2005.

We achieved net earnings of $16.8 million and diluted EPS of $0.28, after recording restructuring and other charges in the quarter totaling $20.0 million after tax, or $0.33 per share. The restructuring and other charges comprised $0.31 per share for the restructuring of the Company's Canadian manufacturing facilities, which was announced on September 27, 2006, and $0.02 per share to reflect the variable component of Gildan's contractual obligations towards its former Chairman and Co-Chief Executive Officer. Before reflecting the restructuring and other charges, net earnings and diluted EPS for the fourth quarter of fiscal 2006 amounted to $36.8 million or $0.61 per share, up respectively 25.6% and 27.1% from net earnings of $29.3 million and diluted EPS of $0.48 in the fourth quarter of fiscal 2005. Excluding the impact of the Kentucky Derby acquisition in the quarter, which was $0.01 per share dilutive to EPS, the increase in net earnings and EPS before the restructuring and other charges was primarily due to continuing strong growth in unit sales volumes, favourable manufacturing efficiencies, a higher-valued product-mix for activewear, and lower SG&A expenses, partially offset by lower selling prices and higher depreciation expense.

	2006				2005			
(in $ millions, except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**235.2**	**233.9**	**183.8**	**120.3**	180.7	198.9	165.3	109.0
Net earnings	**16.8**	**42.8**	**31.0**	**16.2**	29.2	34.1	14.3	8.4
Net earnings per share								
Basic EPS	**0.28**	**0.71**	**0.52**	**0.27**	0.49	0.57	0.24	0.14
Diluted EPS	**0.28**	**0.71**	**0.51**	**0.27**	0.48	0.57	0.24	0.14

During the fourth quarter of fiscal 2006, we generated cash flow of $33.6 million from operating activities, after using $17.0 million to finance seasonal accounts receivable and $9.0 million to meet seasonal and replenishment inventory requirements for the sock business and to support transitional outsourcing programs. We also used cash of $26.2 million for capital expenditures, mainly for our major capacity expansion projects in Honduras and the Dominican Republic, and $19.9 million for the acquisition of Kentucky Derby. In addition, we repaid $21.3 million of the total amount of $27.4 million of Kentucky Derby's debt assumed at the date of the acquisition.

Financial Condition

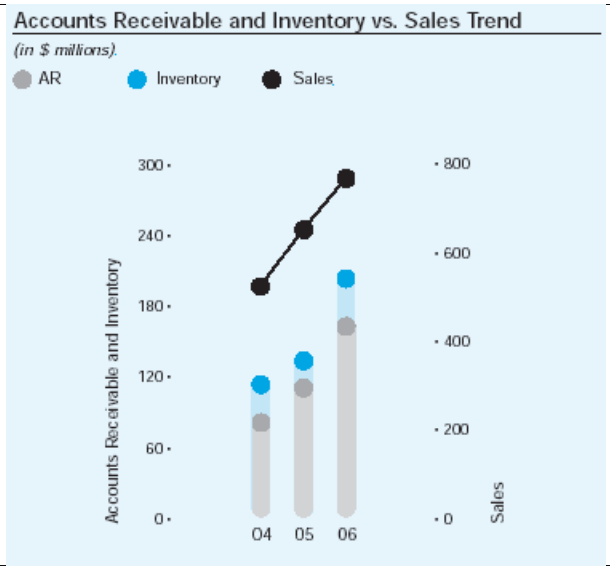
On October 1, 2006, accounts receivable were $165.9 million compared to $108.6 million at the end of fiscal 2005. The increase was due to a 13.7% increase in activewear sales in the fourth quarter over the prior year, the inclusion of $16.2 million accounts receivable from the acquisition of Kentucky Derby, and an increase in days sales outstanding on our trade receivables. The increase in days sales outstanding resulted mainly from the increased success of our long-sleeve and fleece programs which are traditionally sold with extended payment terms in the summer months, in line with industry practice. Days sales outstanding are expected to return to more normal levels by the first quarter of fiscal 2007.

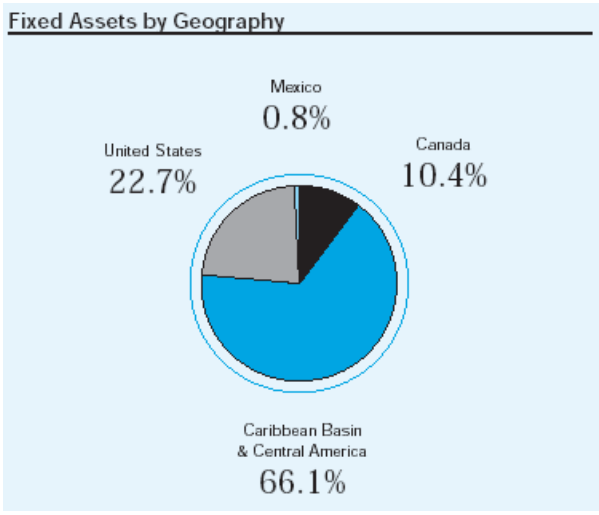
Inventories were $200.7 million representing an increase of $65.8 million from $134.9 million at the end of fiscal 2005. Inventories at the end of fiscal 2006 included $39.3 million from the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006. The remaining increase in inventory over fiscal 2005 was primarily attributable to the 13.7% increase in activewear sales compared to last year and a higher level of finished goods inventories required to meet our anticipated sales demand in fiscal 2007. Additionally, year-over-year inventory requirements have increased due to the broadening of our product-line to support greater penetration in fleece, more T-shirt styles and the introduction of underwear, combined with increased geographical coverage requiring more inventory to be allocated to regional warehouses.

Fixed assets, which are net of accumulated depreciation, including asset impairment losses, amounted to $302.7 million at the end of fiscal 2006, up $42.1 million from last year. This increase was primarily due to net capital expenditures of $80.2 million, mainly for capacity expansion projects in the Dominican Republic and Honduras, partially offset by depreciation and asset impairment losses of $46.2 million.

At the end of fiscal 2006, intangible assets of $9.5 million represented the unamortized value of customer contracts and customer relationships related to the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006.

Total assets were $723.3 million on October 1, 2006, compared to $597.5 million at the end of the previous year. Working capital was $261.0 million compared to $214.9 million on October2, 2005. The current ratio at the end of fiscal 2006 was 2.8 compared to 2.9 at the end of fiscal 2005.





Liquidity and Capital Resources

Cash Flows

Cash flows from operating activities in fiscal 2006 were $94.7 million, compared to $93.2 million for the previous year, reflecting higher operating earnings, partly offset by higher inventory and accounts receivable requirements. Excluding the acquired inventory of Kentucky Derby, inventories for the year increased $35.4 million compared to an increase of $17.8 million in fiscal 2005. Excluding the acquired accounts receivable of Kentucky Derby, accounts receivable for the year increased by $41.1 million, compared to an increase of $22.7 million a year ago.

Cash flows used in investing activities were $96.1 million in fiscal 2006, compared to cash outflows of $83.8 million in fiscal 2005. The increase in cash used in investing activities was mainly due to the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006 for cash consideration of $19.9 million, partly offset by lower net capital expenditures in fiscal 2006 compared to last year. Net capital expenditures for fiscal 2006 were $80.2 million, down $5.9 million from fiscal 2005. The major capital investment projects for fiscal 2006 included the new textile facility in the Dominican Republic, as well as the sock manufacturing facility and the textile facility for the production of fleece in Honduras. While capital expenditures in fiscal 2006 for the textile facilities in the Dominican Republic and Honduras were up from fiscal 2005, total capital expenditures were higher in fiscal 2005 due to investments for the expansion of our U.S. distribution centre and the expansion of our yarn-spinning joint venture with Frontier.

Free cash flow[1] amounted to $18.5 million in fiscal 2006, compared to free cash flow of $9.4 million in fiscal 2005, mainly as a result of higher operating earnings and lower capital expenditures, partly offset by higher working capital requirements.

Cash flows used in financing activities in fiscal 2006 amounted to $39.4 million, compared to $0.5 million in fiscal 2005, primarily as a result of a higher net repayment of total indebtedness[2] in fiscal 2006, higher proceeds from the issuance of shares in fiscal 2005, and a cash contribution of $2.5 million received in fiscal 2005 from our joint venture partner. During fiscal 2006, we repaid $23.9 million of long-term debt consisting of the $17.5 million third scheduled principal repayment on our Senior Notes, which was made on June 10, 2006, and a $4.0 million repayment of Kentucky Derby long-term debt, following our acquisition of Kentucky Derby in the fourth quarter of fiscal 2006. In addition, we repaid $17.3 million of Kentucky Derby bank indebtedness. The balance of the debt repayment in fiscal 2006 related to a reduction in the long-term debt and bank indebtedness of our joint venture. The debt repayment during fiscal 2005 consisted of the second scheduled repayment of our Senior Notes, which was partly offset by an increase in the long-term debt and bank indebtedness of our joint venture.

We ended fiscal 2006 with cash and cash equivalents of $29.0 million compared to $69.8 million at the end of fiscal 2005. At the end of both fiscal 2005 and fiscal 2006, our revolving bank facility was unutilized. Bank indebtedness included in our Consolidated Financial Statements at the end of fiscal 2006 is attributable to our joint venture. Total indebtedness at October1, 2006 amounted to $37.3 million compared to $51.1 million at October 2, 2005. The decline in total indebtedness is mainly due to the third scheduled principal repayment of $17.5 million on our Senior Notes, which was made on June 10, 2006, partly offset by the assumption of long-term debt related to the acquisition of Kentucky Derby.

Liquidity and Capital Resources

In recent years, we have funded our operations and capital requirements with cash generated from operations. A revolving credit facility has been periodically utilized to finance seasonal peak working capital requirements. Our primary use of funds on an ongoing basis is related to capital expenditures for new manufacturing facilities, inventory financing, accounts receivable funding, and scheduled payments of principal and interest on our Senior Notes.

As a result of the seasonal nature of the apparel business, working capital requirements are variable throughout the year. Our 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.

Anticipated sales growth in 2007 is expected to result in increased working capital requirements, mainly to finance trade accounts receivable and inventory. For fiscal 2007, we expect to incur approximately $110 million in capital expenditures. We believe our cash flow from operating activities together with our unused credit facilities will provide us with sufficient liquidity and capital resources in fiscal 2007 to fund our anticipated working capital requirements, capital expenditures and the June 2007 final principal repayment on our Senior Notes.

In order to maximize flexibility to finance our ongoing growth and expansion and to be able to take advantage of additional new opportunities, we do not currently pay a dividend. Periodically, the merits of introducing a dividend are re-evaluated by our Board of Directors.

1 *Cash flows from operating activities including net changes in non-cash working capital balances, less cash from investing activities excluding business acquisitions. See pages 41-42.*

2 *See pages 41-42.*

Off-Balance Sheet Arrangements

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 below. As disclosed in Note 13 to our Consolidated Financial Statements, we have issued corporate guarantees and standby letters of credit arising from various servicing agreements amounting to $37.4 million at October 1, 2006.

Derivative Financial Instruments

From time to time, we use 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 buy or sell foreign currency with a counterparty. Credit risk exists in the event of failure by a counterparty to meet its obligations. We reduce this risk by dealing only with highly rated counter-parties, normally major European and North American financial institutions. Our exposure to foreign currency fluctuations is described in more detail in the "Risks and Uncertainties" section of this MD&A.

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

For fiscal 2006 and 2005, net earnings included recognized gains relating to derivative financial instruments of $4.6 million and $5.8million, respectively, which primarily related to hedging activities.

The following table summarizes our commitments to buy and sell foreign currencies as at October 1, 2006 and October 2, 2005:

(in thousands)		Notional amount	Exchange rate	Maturity	Notional U.S. equivalent
2006					
Buy contracts:					
Foreign exchange contracts	€	**9,756**	**1.2056 to 1.2696**	**October 2006 to June 2007**	**$11,934**
	CA$	**6,250**	**0.8961**	**October 2006**	**5,600**
2005					
Buy contracts:					
Foreign exchange contracts	€	2,150	1.2039	October 2005	$ 2,588
	CA$	21,400	0.7997 to 0.8216	October 2005 to August 2006	17,348
Sell contracts:					
Foreign exchange contracts	€	9,276	1.3450 to 1.3721	October 2005 to September 2006	$12,620
	£	4,490	1.8707 to 1.8909	October 2005 to September 2006	8,439
	CA$	2,800	0.8610	October 2005	2,410

Contractual Obligations

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. The following table sets forth our contractual obligations for the following items as at October 1, 2006:

Payments due by period *(in $ millions)*	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Long-term debt	33.9	21.8	6.5	4.1	1.5
Fixed interest payments	1.3	1.3	–	–	–
Operating leases	34.7	10.0	9.4	6.3	9.0
Purchase obligations	128.4	128.4	–	–	–
Other obligations	17.5	17.5	–	–	–
Total Contractual Obligations	**215.8**	**179.0**	**15.9**	**10.4**	**10.5**

We expect that cash flow from our operating earnings, together with our year-end cash balances and unutilized bank facilities, will be sufficient to meet foreseeable cash needs for fiscal 2007.

Contingent Liability

In November 2002, one of our Mexican subsidiaries ("Gildan Mexico") received a tax assessment from a regional taxation office relating to duties for the 2000 fiscal year for approximately $6.0 million. The substance of the assessment was that the Mexican tax authorities adopted the position that Canadian-made textiles shipped to Gildan Mexico for sewing processing had not subsequently been exported from Mexico. Gildan Mexico appealed the assessment and was successful in obtaining a judgement in its favour. Notwithstanding the judgement, the regional Mexican taxation office issued a new assessment in March 2005, and increased the assessed amount to approximately $7.1 million, primarily comprised of interest and late payment penalties. Shortly after receiving the second assessment, Gildan Mexico again filed an appeal. In July 2006, Gildan Mexico received notification that its appeal of the second assessment for fiscal 2000 was unsuccessful. We have received legal opinions that the tax assessment is without merit under Mexican law governing re-export from maquiladora operations. Additionally, Gildan Mexico, a maquiladora operation, has provided documentation to establish that the textiles imported into Mexico for sewing were subsequently exported to the United States and Canada. We are pursuing all available avenues to resolve this matter in our favour. At the present time, the Mexican authorities are not attempting to enforce payment of this tax assessment. We expect to be successful in our efforts to clarify and resolve this matter and, accordingly, no provision has been made in the accounts for this potential liability.

Outstanding Share Data

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

As of November 30, 2006, there were 60,138,612 common shares issued and outstanding along with 501,343 stock options and 453,872 dilutive restricted share units outstanding. Each stock option entitles the holder to purchase one common share at the end of the vesting period at a pre-determined option price. Each restricted share unit entitles the holder to receive one common share from treasury at the end of the vesting period, without any monetary consideration being paid to the Company. However, the vesting of 50% of the restricted share grant is dependent upon the financial performance of the Company relative to a benchmark group of Canadian publicly-listed companies.

The Board of Directors has approved the renewal of the Company's normal course issuer bid, subject to obtaining final approval from the Toronto Stock Exchange, in order to repurchase a maximum of 1,000,000 common shares in the open market commencing December 22, 2006 and ending December 21, 2007. This represents less than 2.0% of the total common shares issued and outstanding. No shares had been repurchased under the previous bid.

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 our 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.

Outlook

Recap of Fiscal 2006 Guidance

Our original diluted EPS guidance for the 2006 fiscal year was approximately $1.85. This guidance was based on anticipated sales growth of approximately 20% and an assumed reduction in average selling prices of approximately 1.5%. This represented diluted EPS growth of 29.4% over fiscal 2005 reported EPS, and 18.6% growth over adjusted diluted EPS of $1.56 excluding restructuring and other charges from the prior year EPS.

On February 1, 2006, when we reported our results for our first fiscal quarter, we increased our guidance for fiscal 2006 diluted EPS to approximately $1.90, due to more favourable than anticipated results in the first fiscal quarter. The increase in adjusted diluted EPS was primarily attributable to more favourable selling price realizations in the first quarter of the fiscal year.

On May 4, 2006, when we reported our second quarter results, we further increased our adjusted diluted EPS guidance for fiscal 2006 to $1.96 as a result of more favourable results in the second quarter of the year. The projected diluted EPS for the second half of fiscal 2006 reflected our revised assumption of a 2% reduction in pricing compared with the second half of last year and lower unit sales volumes than previously projected. However, these factors were expected to be offset by the benefit of more favourable product mix and by increased manufacturing efficiencies.

On June 20, 2006, in conjunction with the announcement of the acquisition of Kentucky Derby, we increased our full year guidance to diluted EPS of $2.00 due to more favourable product mix.

On August 3, 2006, when we announced our third quarter results, we further increased our full year diluted EPS guidance to reflect more favourable than anticipated third quarter results and the assumed continuation in the fourth quarter of more favourable manufacturing efficiencies and product-mix, partially offset by the projected continuation of more unfavourable industry pricing. The revised diluted EPS guidance of $2.07 included a $0.02 charge to comply with the employment contract of the former Chairman and Co-Chief Executive Officer of the Company. Before this charge, adjusted diluted EPS for fiscal 2006 was projected at $2.09.

On September 27, 2006, prior to participating at an investor conference, we announced the restructuring of our Canadian manufacturing facilities and reconfirmed our annual diluted EPS guidance before restructuring and other charges. Adjusted diluted EPS guidance of $2.09 reflected projected EPS for fiscal 2006 before the anticipated charge of $0.28 for the announced restructuring of our Canadian manufacturing facilities and the $0.02 charge to comply with the employment contract of the former Chairman and Co-Chief Executive Officer of the Company.

Our actual diluted EPS for fiscal 2006 was $1.76, or $2.09 excluding the impact of restructuring and other charges, in line with our guidance for the year.

Outlook 2007

We are projecting diluted EPS of approximately $2.55 for fiscal 2007. Our fiscal 2007 guidance continues to include approximately $0.06 per share of accelerated depreciation to reflect the change in the estimated economic lives of our remaining Canadian textile and related manufacturing assets. Prior to this additional depreciation charge, adjusted diluted EPS for fiscal 2007 is projected to be approximately $2.61, up from $2.56 per share originally projected on September 27, 2006. The projected $0.05 per share impact of the acquisition of Kentucky Derby was not included in the original guidance.

Our guidance for fiscal 2007 assumes that the acquisition of Kentucky Derby has a negligible impact on EPS until the fourth quarter of the fiscal year. By the end of fiscal 2007, the annualized impact of cost reductions from the integration of Kentucky Derby into Gildan is expected to be in excess of $0.15 per share. We continue to project that we will achieve annual cost reduction synergies of $0.30 per share, once the integration process is completed during fiscal 2008 and we have achieved a globally competitive cost structure for our sock manufacturing operations.

Our guidance for fiscal 2007 assumes growth in sales of approximately 26% compared to fiscal 2006, to approximately $970 million. Unit sales growth is projected at over 55%, including approximately 25 million dozens of socks. Our guidance is also based on an assumed year-over-year reduction in activewear selling prices of approximately 2.5% in fiscal 2007 as we continue to drive further market share penetration and enter the mass-market retail channel.

Diluted EPS for the first quarter of fiscal 2007, before the additional depreciation charge, are projected to be the same as in the first quarter of fiscal 2006, at $0.27. Higher unit sales volume growth in the first quarter is projected to be offset by lower gross margins and higher SG&A expenses. In particular, the first quarter is impacted by significant year-over-year increases in cotton costs, compared with a low point in cotton prices in the first quarter of last year. Also, the positive impact of unit volume growth is lower than in other quarters, as the first quarter is seasonally the lowest sales volume quarter of the fiscal year.

After the first quarter, in addition to the more significant impact of sales volume growth, gross margins for activewear are expected to increase, both relative to the first quarter as well as to the corresponding quarters in fiscal 2006. In the second half of fiscal 2007, cotton costs are expected to be comparable to the second half of fiscal 2006. Also, throughout fiscal 2007 we expect to realize significant manufacturing efficiencies from the continuing ramp-up of the Dominican Republic textile facility and the rationalization of our Canadian textile manufacturing announced on September 27, 2006, which are expected to more than offset the projected 2.5% reduction in selling prices. In addition, gross margins for the sock business are expected to increase in successive quarters as the Company progresses with the integration of Kentucky Derby.

We are projecting capital expenditures of approximately $110 million in fiscal 2007, which we expect to fully finance out of our internally-generated cash flow from operating activities.

We hereby refer to the Forward-Looking Statements cautionary notice on page 43.

Critical Accounting Estimates

Our significant accounting policies are described in Note 2 to our audited 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 judgements 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 our financial results.

Sales Promotional Programs

At the time of sale, estimates are made for customer price discounts and rebates based upon existing programs. 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 and a provision for estimated sales returns, which is based on historical experience and other known factors, and exclude sales taxes. If actual price discounts, rebates or returns differ from estimates, significant adjustments to net sales could be required in future periods.

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 credit losses. Our extension of credit and our determination of the allowance for doubtful accounts involve judgement and is based on an evaluation of each customer's financial condition and payment history. We regularly monitor our credit risk exposure to our customers and take steps to mitigate the risk of loss.

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, including asset impairment losses. 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 judgement and is based on currently available information. We also review our fixed assets for potential impairment whenever events and changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Impairment losses are recognized when the estimated undiscounted future cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. The amount of impairment loss recognized is measured as the amount by which the carrying value for an asset exceeds the fair value of the asset, with fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the asset. In estimating future cash flows, the Company uses its best estimates based on internal plans, which incorporate management's judgements as to the remaining service potential of the fixed assets. Changes in circumstances, such as technological advances and changes to our business strategy can result in actual useful lives and future cash flows differing significantly from our estimates. Revisions to the estimated useful lives of fixed assets or future cash flows constitute a change in accounting estimate and are applied prospectively.

Cotton and Yarn Procurements

We contract 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 our products. These contracts are not used for trading purposes. We commit to fixed prices on a percentage of our 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, we estimate the costs of cotton and yarn that are not recoverable in future sales of finished goods, and record a charge to earnings.

Income Taxes

We utilize 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 audited Consolidated Financial Statements.

Our 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. Management's opinion is based on certain estimates or assumptions. In addition, income tax rules and regulations in the countries in which the Company operates and income tax treaties between these countries are subject to interpretation, and require estimates and assumptions in determining the Company's consolidated income tax provision that may be challenged by the taxation authorities. If these estimates or assumptions change in the future, we may be required to reduce or increase the value of the future income tax assets and liabilities resulting in a significant income tax expense or recovery in future periods. We evaluate our future income tax assets and liabilities on a quarterly basis.

Recent Accounting Pronouncements

Comprehensive Income / Financial Instruments / Hedges

During 2005, the Canadian Institute of Chartered Accountants (CICA) released new accounting standards for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, as follows:

- 1530, Comprehensive Income;
- 3855, 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 when 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 new financial statement required under the new standards.

These new standards will be effective for our 2007 fiscal year. We do not expect the adoption of these standards to have any material impact on our results of operations or financial position.

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 our 2007 fiscal year. We do not expect the adoption of this standard to have any material impact on our results of operations or financial position.

Related Party Transactions

We have transactions with Frontier which manages the operations of 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 were $100.4 million in fiscal 2006 (2005 – $106.8 million), along with $0.8 million relating to management fees (2005 – $0.6 million). As at October 1, 2006, we had an outstanding payable to Frontier of $18.9 million (2005 – $15.6 million).

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

Disclosure Controls

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed with securities regulatory authorities is recorded, processed, summarized, and reported within prescribed time periods and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of, and with the participation of, our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of October 1, 2006. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period.

Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. *Securities Exchange Act of 1934* .

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of October 1, 2006, based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

Management's assessment of the effectiveness of our internal control over financial reporting as of October 1, 2006 excluded Kentucky Derby, which we acquired on July 6, 2006. Kentucky Derby is a wholly-owned subsidiary of ours whose total assets and total net sales represented less than 11% of our consolidated total assets and less than 4% of our consolidated net sales, respectively, as of and for the year ended October 1, 2006. Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company under guidelines established by the Securities and Exchange Commission.

Attestation Report of Registered Public Accounting Firm

KPMG LLP, an independent registered public accounting firm, which audited and reported on our financial statements in this Annual Report, has issued an attestation report on management's assessment of our internal control over financial reporting as of October 1, 2006.

Changes in Internal Controls Over Financial Reporting

During fiscal 2006, we made improvements to our internal controls over financial reporting in preparation for our first annual management report on internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Risks and Uncertainties

The Company is subject to a variety of business risks. The risks described below are risks that could materially affect our business, financial condition and results of operations, but are not necessarily the only ones facing the Company. Additional risks that are not currently known to us or that we currently deem immaterial, could also materially and adversely affect our business.

Our ability to implement our strategies and plans

While we believe we can leverage our existing core competencies and successful business model in the mass-market retail channel, we cannot assure you that our strategy to develop our vertically-integrated manufacturing hubs, which has allowed us to provide our customers with low prices, consistent product quality and a reliable supply chain, and has been the main reason that we have been able to rapidly increase our market presence and establish our market leadership in the imprinted sportswear market, will be successful in the retail channel.

In addition to our recent acquisition of Kentucky Derby, we may invest in business acquisitions that we assess to be complementary to our business or that could contribute to the acceleration of our growth strategy, and from which we would expect to realize

economic benefits through the integration of such acquisitions into our operations. There can be no assurance that we would be successful in completing and integrating such acquisitions into our own operations or that we would realize the anticipated benefits from such acquisitions.

Our industry is competitive

The apparel market for our products is highly competitive. Competition is generally based upon price, with reliable quality and service also being key requirements for success. Our primary competitors in North America are the major U.S.-based manufacturers of basic branded activewear for the wholesale and retail channels, such as Fruit of the Loom, Inc., Hanesbrands Inc., the Jerzees division of Russell Corporation, which was recently acquired by Berkshire Hathaway Inc. which owns Fruit of the Loom, Inc., Delta Apparel, Inc., and Anvil Knitwear, Inc. The competition in the European wholesale imprinted activewear market is similar to that in North America, as we compete primarily with the European divisions of the larger U.S.-based manufacturers. In Europe, we also have large competitors that do not have integrated manufacturing operations and source products from contractors in Asia. In addition, we face the threat of increasing global competition.

Our ability to remain competitive in the areas of quality, price, service, marketing, product development, manufacturing and distribution 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, the addition of new capacity using state-of-the-art manufacturing technology, and lower raw material costs.

In the future, our financial performance may be negatively affected 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.

Our success depends on our ability to anticipate evolving consumer preferences and trends

While we currently focus on basic, non-fashion products, the apparel industry, particularly within the retail channel, is subject to evolving consumer preferences and trends. Our success may be impacted by changes in consumer preferences which do not fit with Gildan's core competency of large-scale marketing and manufacturingof basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume automatic replenishment programs. This could have a material adverse effect on our business, results of operations and financial condition.

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 current or 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 rely on a relatively small number of significant customers

We sell our products to approximately 180 customers. In fiscal 2006, our largest customer accounted for 28.2% (2005 –28.2%) of sales, and our top ten customers accounted for 66.0% (2005 – 63.8%) of total sales. We expect that these customers will continue to represent a significant portion of our sales in the future, together with a relatively small number of large mass-market retailers. 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.

Our customers do not commit to purchase minimum quantities

Our contracts with our customers do not require them to purchase a minimum quantity of our products. If any of our customers experiences a significant business downturn or fails to remain committed to our products, they may reduce or discontinue purchases from us. 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 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 considerable judgement and is based on an evaluation of each customer's financial condition and payment history. Adverse changes in our customers' financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's future purchases or limit our ability to collect accounts receivable relating to previous purchases by that customer, all of which could have a material adverse effect on our business, results of operations and financial condition. The Company regularly monitors its credit risk exposure to its customers and takes steps to mitigate the risk of loss. As at October 1, 2006, the Company's top ten customers accounted for approximately 57.0% (2005 – 60.1%) of the trade receivable balance of which one customer represented 18.1% (2005 –20.5%). The remaining trade receivable balance is comprised of a large number of debtors across many geographic areas including the United States, Canada, Europe, Mexico and Australasia. An allowance for doubtful accounts is maintained for credit losses consistent with the credit risk, historical trends, general economic conditions and other available information.

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

The textile and apparel industries of developed countries (including Canada, the United States and Europe) have historically received a relatively higher degree of trade protection than other industries.

Since January 2005, quotas on imports of textiles and apparel from member countries of the World Trade Organization (WTO) have been eliminated, except that China will continue to be subject to quotas on its textile and apparel exports until the end of 2008. Additionally, the developed countries have implemented regional trade agreements and programs, such as the North American Free Trade Agreement (NAFTA), the Caribbean Basin Trade Partnership Act (CBTPA) and the Central America Free Trade Agreement (CAFTA), which allow qualifying textiles and apparel from participating countries duty-free access to developed countries' markets. One of the newest programs, CAFTA, was adopted to strengthen and develop economic relations among its parties. We have situated our manufacturing facilities in strategic locations to take advantage of these trade liberalization measures, which enable us to be competitive in our markets.

CAFTA allows the United States to impose safeguards in the form of full or partial restoration of normal duties if increased imports cause or threaten serious damage to domestic industry. There can be no assurance that CAFTA safeguards or other developments in trade regulation would not adversely impact our business.

The Company is subject to customs audits in the various countries in which it operates. The Company believes that its customs compliance programs are effective, although we cannot predict the likelihood or outcome of any governmental audit.

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.

The Company is subject to government audits in the various countries in which it operates. The final result of any audits undertaken by taxation authorities may vary compared to the estimates and assumptions used by management in determining the Company's consolidated tax provision. Depending on the ultimate outcome of any such audit, there may be a material impact on the Company's consolidated tax provision.

The Company operates under free trade and export processing zones in various countries in Central America and the Caribbean Basin. Under the free trade zone rules, the Company is not subject to income tax in these countries. Any changes to the free trade zone rules or the free trade zone status of any one of the countries in which we operate may impact the effective tax rate of the Company.

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 also impact the effective tax rate of the Company.

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

Cotton is the primary raw material used in the manufacture of our products. We also purchase chemicals, dyestuffs and trims through a variety of suppliers. 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 price of cotton fluctuates and is affected by weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. In addition, fluctuations in crude oil or petroleum prices may also influence the prices of related items used in our business, such as chemicals, dyestuffs and trims. The Company enters into futures contracts and makes other arrangements to establish firm prices for cotton and cotton yarn for which it will ultimately take delivery in order to mitigate the effect of price fluctuations. For future deliveries with a fixed price, the Company will not be able to benefit from price decreases but 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 $3.2 million, at estimated production levels for fiscal 2007. 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 these countries have experienced political, social and economic instability, and we cannot be certain of their future stability.

Additional events that could disrupt our supply chain, interrupt production in our offshore facilities or increase our cost of sales include:

- political instability, labour unrest, war or terrorism;
- disruptions in shipping and freight forwarding services;
- increases in oil prices and energy costs, which would increase transportation costs;
- interruptions in the availability of basic services and infrastructure, including power and water shortages; and
- fire or natural disasters, such as hurricanes, floods and earthquakes.

Such conditions or events could have material adverse effects on our business, results of operations and financial condition.

Our industry is subject to fluctuations in sales demand

Demand for our products may vary from year to year. We must appropriately balance our inventory with our ability to meet market demand. Based on discussions with our customers and internally generated projections reflecting 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, results of operations or financial condition.

Our business operations significantly rely on our information systems

We depend on information systems to manage our inventory, process transactions, respond to customer inquiries, purchase, sell and ship goods on a timely basis and maintain cost-effective operations. There can be no assurance that we will not experience operational problems with our information systems as a result of system failures, viruses, or other causes. Any material disruption or slowdown of our systems could cause operational delays that could have a material adverse effect on our business, results of operation and financial condition.

Foreign currency 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. dollar/Canadian dollar, U.S. dollar/Honduras lempira, U.S. dollar/British pound and U.S. dollar/Euro exchange rates. Significant fluctuations in these exchange rates could materially impact our future results of operations.

Our operations could be affected by changes in our relationship with our employees or changes to domestic and foreign employment regulations

We employ over 15,000 employees worldwide. As a result, changes in domestic and foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labour standards, overtime pay, unemployment tax rates, workers' compensation rates and payroll taxes, would likely have a direct impact on our operating costs. The majority of our employees are employed outside of Canada and the United States. A significant increase in wage rates in the countries we operate could have a material impact on our operating costs.

The Company has been able to operate in a productive manner in all of its manufacturing facilities without experiencing labour disruptions, such as strikes or work stoppages. If labour relations were to change or deteriorate, this could adversely affect the productivity and cost structure of the Company's manufacturing operations.

We may suffer negative publicity if we, or our third-party contractors violate labour laws or engage in practices that are viewed as unethical

We are committed to ensuring that all of our manufacturing facilities comply with our strict internal code of conduct, local and international laws, and the codes to which we subscribe, including those of Worldwide Responsible Apparel Production (WRAP) and the Fair Labour Association (FLA). While the majority of our manufacturing operations are conducted through company-owned facilities, we also utilize third-party contractors to complement our vertically-integrated production. We have engaged Verité, a globally respected training and auditing organization, to carry out a comprehensive program of training and auditing at all of our Company-owned and contractor facilities. In addition, we have recruited an internationally respected Director of Corporate Social Responsibility to develop the Company's compliance programs. However, if one of our own manufacturing operations or one of our third-party contractors violates or is accused of violating local or international labour laws or other applicable regulations, or engages in labour or other practices that would be viewed, in any market in which our products are sold, as unethical, we could suffer negative publicity which could tarnish our reputation or result in a loss of sales that could have a material adverse effect on our business, results of operations and financial condition.

We depend on key management

Our success depends upon the continued contributions of our key management, some of whom have unique talents and experience and would be difficult to replace. The loss or interruption of the services of a key executive could have a material adverse effect on our business during the transitional period that would be required for a successor to assume the responsibilities of the key management position. Our future success will also depend on our ability to attract and retain key managers, sales people and others. We may not be able to attract or retain these employees, which could adversely affect our business.

Reconciliation and Definition of Non-GAAP Measures

We use non-GAAP measures to assess our operating performance and financial condition. The terms and definitions of the non-GAAP measures used in this report and a reconciliation of each non-GAAP measure to the most directly comparable GAAP measure are provided below. The non-GAAP measures are presented on a consistent basis for all periods presented in this MD&A. These non-GAAP measures do not have any standardized meanings prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

Adjusted Net Earnings and Adjusted Diluted EPS

To measure our performance from one period to the next, without the variations caused by the impacts of restructuring and other charges as discussed on page 26, and the change in functional currency, as discussed on page 28, management uses adjusted net earnings and adjusted diluted earnings per share, which is calculated as net earnings and earnings per share excluding these items. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in our business performance. Excluding these items does not imply they are necessarily non-recurring.

(in $ millions, except per share amounts)

2006	**Audited**		**Adjusted**
Sales	**773.2**		**773.2**
Cost of sales	**521.1**		**521.1**
Gross profit	**252.1**		**252.1**
Selling, general and administrative expenses	**84.4**		**84.4**
Restructuring and other charges	**20.4**	**(20.4)[(1)]**	**–**
	147.3	**20.4**	**167.7**
Depreciation and amortization	**32.4**		**32.4**
Interest, net	**3.1**		**3.1**
Non-controlling interest in income of consolidated joint venture	**0.2**		**0.2**
Earnings before income taxes	**111.6**	**20.4**	**132.0**
Income taxes	**4.8**	**0.4 [(1)]**	**5.2**
Net earnings	**106.8**	**20.0**	**126.8**
Basic EPS	**1.78**	**0.33**	**2.11**
Diluted EPS	**1.76**	**0.33**	**2.09**

Certain minor rounding variances exist between the financial statements and this summary.

(in $ millions, except per share amounts)

2005	Audited		Adjusted
Sales	653.9		653.9
Cost of sales	450.6		450.6
Gross profit	203.3		203.3
Selling, general and administrative expenses	73.8		73.8
Restructuring and other charges	11.8	(11.8)[(1)]	–
	117.7	11.8	129.5
Depreciation and amortization	25.6		25.6
Interest, net	4.6		4.6
Non-controlling interest in income of consolidated joint venture	0.1		0.1
Earnings before income taxes	87.4	11.8	99.2
Income taxes	1.4	3.9[(1)]	5.3
Net earnings	86.0	7.9	93.9
Basic EPS	1.44	0.13	1.57
Diluted EPS	1.43	0.13	1.56

Certain minor rounding variances exist between the financial statements and this summary.

(in $ millions, except per share amounts)

2004	Audited		Adjusted

Sales	533.4		533.4
Cost of sales	378.7	(3.3)[2]	375.4
Gross profit	154.7	3.3	158.0
Selling, general and administrative expenses	58.3		58.3
Restructuring and other charges	4.6	(4.6)[1]	–
	91.8	7.9	99.7
Depreciation and amortization	22.3		22.3
Interest, net	6.2		6.2
Earnings before income taxes	63.3	7.9	71.2
Income taxes	3.1	1.4[1]	4.5
Net earnings	60.2	6.5	66.7
Basic EPS	1.02	0.11	1.13
Diluted EPS	1.01	0.11	1.12

Certain minor rounding variances exist between the financial statements and this summary.

(1) Adjustment to remove restructuring and other charges, and the income tax effect thereon. See page 26.
(2) Adjustment to remove the impact of the change in functional currency. See page 28.

EBITDA

EBITDA is calculated as earnings before interest, taxes and depreciation and amortization and excludes the impacts of restructuring and other charges, as discussed on page 26 and the change in functional currency, as discussed on page 28. We use EBITDA, among other measures, to assess the operating performance of our business. We also believe this measure is commonly used by investors and analysts to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement. We exclude depreciation and amortization expenses, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. Excluding these items does not imply they are necessarily non-recurring.

(in $ millions)

	2006	2005	2004
Net earnings	**106.8**	86.0	60.2
Restructuring and other charges	**20.4**	11.8	4.6
Change in functional currency	**–**	–	3.3
Depreciation and amortization	**32.4**	25.6	22.3
Interest, net	**3.1**	4.6	6.2
Income taxes	**4.8**	1.4	3.1
Non-controlling interest in income of consolidated joint venture	**0.2**	0.1	–
EBITDA	**167.7**	129.5	99.7

Certain minor rounding variances exist between the financial statements and this summary.

Free Cash Flow

Free cash flow is defined as cash from operating activities including net changes in non-cash working capital balances, less cash flow used in investing activities excluding business acquisitions. We consider free cash flow to be an important indicator of the financial strength and performance of our business, because it shows how much cash is available after capital expenditures to repay debt and to reinvest in our business. We believe this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

(in $ millions)

	2006	2005	2004
Cash flows from operating activities	**94.7**	93.2	58.9
Cash flows from investing activities	**(96.1)**	(83.8)	(53.8)
Add back:			
Acquisition of Kentucky Derby	**19.9**	–	–
Free cash flow	**18.5**	9.4	5.1

Certain minor rounding variances exist between the financial statements and this summary.

Total Indebtedness and Cash in Excess of Debt (Net Indebtedness)

We consider total indebtedness and net debt to be important indicators of the financial leverage of the Company.

(in $ millions)

	2006	2005	2004
Bank indebtedness	**(3.5)**	(4.0)	-
Current portion of long-term debt	**(21.8)**	(19.8)	(18.6)
Long-term debt	**(12.0)**	(27.3)	(38.0)
Total indebtedness	**(37.3)**	(51.1)	(56.6)
Cash and cash equivalents	**29.0**	69.8	60.7
(Net indebtedness) cash in excess of debt	**(8.3)**	18.7	4.1

Certain minor rounding variances exist between the financial statements and this summary.

Forward-Looking Statements

Certain statements included in this MD&A 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, and are subject to important risks, uncertainties and assumptions. This forward-looking information includes amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. 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 and Uncertainties" section of this MD&A, beginning on page 37, 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.

The results or events predicted in such forward-looking information may differ materially from actual results or events. Material factors, which could cause actual results or events to differ materially from a conclusion, forecast or projection in such forward-looking information, include, but are not limited to:

- general economic conditions such as currency exchange rates, commodity prices and other factors over which we have no control;
- the impact of economic and business conditions, industry trends and other external and political factors in the countries in which we operate;
- the intensity of competitive activity;
- changes in environmental, tax, trade and other laws and regulations;
- our ability to implement our strategies and plans;
- our ability to complete and successfully integrate acquisitions;
- changes in customer demand for our products and our ability to maintain customer relationships and grow our business;
- the seasonality of our business;
- our ability to attract and retain key personnel;
- changes in accounting policies; and
- disruption to manufacturing and distribution activities due to the impact of weather, natural disasters and other unforeseen adverse events.

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. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset writedowns or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our 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 13, 2006

Consolidated Financial Statements

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 judgements. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. 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 over financial reporting as described in "Management's Annual Report of Internal Control Over Financial Reporting" on page 36 of this Annual Report.

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 and, with respect to the consolidated financial statements for the year ended October 1, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company. In addition, our auditors have issued an attestation report on management's assessment of the Company's internal controls over financial reporting as of October 1, 2006.

(Signed: Glenn J. Chamandy)	(Signed: Laurence G. Sellyn)
Glenn J. Chamandy President and Chief Executive Officer	**Laurence G. Sellyn** Executive Vice-President, Chief Financial and Administrative Officer
December 6, 2006	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Gildan Activewear Inc.

We have audited the accompanying consolidated balance sheets of Gildan Activewear Inc. and subsidiaries as of October 1, 2006 and October 2, 2005 and the related consolidated statements of earnings, retained earnings and cash flows for the years ended October 1, 2006, October 2, 2005 and October 3, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. With respect to the consolidated financial statements for the year ended October 1, 2006, we also conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gildan Activewear Inc. and subsidiaries as of October 1, 2006 and October 2, 2005, and the results of their operations and their cash flows for the years ended October 1, 2006, October 2, 2005 and October 3, 2004, in conformity with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Gildan Activewear Inc. and subsidiaries' internal control over financial reporting as of October 1, 2006, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (COSO), and our report dated December 6, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

(Signed: KPMG LLP)
Chartered Accountants

Montreal, Canada
December 6, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Gildan Activewear Inc.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing in Gildan Activewear Inc.'s (the "Company") Annual Report for the year ended October 1, 2006, that the Company maintained effective internal control over financial reporting as of October 1, 2006, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (COSO). As described in Management's Annual Report on Internal Control over Financial Reporting, management excluded the acquisition of Kentucky Derby Hosiery Co., Inc. and subsidiaries ("Kentucky Derby"), which occurred in July 2006, from the scope of their assessment of internal controls over financial reporting. Kentucky Derby is a wholly-owned subsidiary of the Company whose total assets and total sales represented less than 11% of consolidated total assets and less than 4% of consolidated sales, respectively, of the Company as of and for the year ended October 1, 2006. Accordingly, our audit of internal control over financial reporting also excluded an evaluation of the internal control over financial reporting of Kentucky Derby. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian and U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Gildan Activewear Inc. and subsidiaries maintained effective internal control over financial reporting as of October 1, 2006 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (COSO). Also, in our opinion, Gildan Activewear Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 1, 2006, based on criteria established in Internal *Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards, the consolidated balance sheets of Gildan Activewear Inc. and subsidiaries as of October 1, 2006 and October 2, 2005, and the related consolidated statements of earnings, retained earnings and cash flows for the years ended October 1, 2006, October 2, 2005 and October 3, 2004. With respect to the consolidated financial statements for the year ended October 1, 2006, we have also conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated December 6, 2006 expressed an unqualified opinion on those consolidated financial statements.

(Signed: KPMG LLP)
Chartered Accountants

Montreal, Canada
December 6, 2006

CONSOLIDATED BALANCE SHEETS

October 1, 2006 and October 2, 2005
(In thousands of US dollars)

		2006		2005
Assets				
Current assets:				
Cash and cash equivalents	**$**	**29,007**	$	69,802
Accounts receivable		**165,870**		108,646
Inventories		**200,653**		134,861
Prepaid expenses and deposits		**5,757**		4,394
Future income taxes (note 14)		**5,298**		10,135
		406,585		327,838
Fixed assets (note 4)		**302,677**		260,615
Intangible assets (note 5)		**9,513**		–
Other assets (note 6)		**4,501**		4,036
Assets held for sale (note 16 (b))		**–**		5,027
	$	**723,276**	$	597,516
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness (note 7)	**$**	**3,500**	$	3,980
Accounts payable and accrued liabilities		**117,984**		86,843
Income taxes payable		**2,269**		2,206
Current portion of long-term debt (note 8)		**21,820**		19,859
		145,573		112,888
Long-term debt (note 8)		**12,041**		27,288
Future income taxes (note 14)		**29,443**		31,386
Non-controlling interest in consolidated joint venture		**5,654**		5,394
Shareholders' equity (note 9):				
Share capital		**86,584**		84,177
Contributed surplus		**2,365**		1,596
Cumulative translation adjustment		**26,248**		26,248
Retained earnings		**415,368**		308,539
		530,565		420,560
Commitments and contingent liabilities (note 12)				
	$	**723,276**	$	597,516

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed: Glenn J. Chamandy)
Glenn J. Chamandy
Director

(Signed: Pierre Robitaille)
Pierre Robitaille
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars, except per share amounts)

		2006		2005		2004
Sales	**$**	**773,190**	$	653,851	$	533,368
Cost of sales		**521,095**		450,570		378,696
Gross profit		**252,095**		203,281		154,672
Selling, general and administrative expenses		**84,388**		73,846		58,284
Restructuring and other charges (note 16)		**20,386**		11,776		4,614
Earnings before the undernoted items		**147,321**		117,659		91,774
Depreciation and amortization		**32,383**		25,615		22,275
Interest, net		**3,067**		4,615		6,170
Non-controlling interest in income of consolidated joint venture		**260**		34		–
		35,710		30,264		28,445
Earnings before income taxes		**111,611**		87,395		63,329
Income taxes (note 14)		**4,782**		1,352		3,078
Net earnings	**$**	**106,829**	$	86,043	$	60,251
Earnings per share (note 15):						
Basic	**$**	**1.78**	$	1.44	$	1.02
Diluted		**1.76**		1.43		1.01

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars, except per share amounts)

		2006		2005		2004
Retained earnings, beginning of year	$	**308,539**	$	222,496	$	162,245
Net earnings		**106,829**		86,043		60,251
Retained earnings, end of year	$	**415,368**	$	308,539	$	222,496

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

	2006	2005	2004
Cash flows from (used in) operating activities:			
Net earnings	**$ 106,829**	$ 86,043	$ 60,251
Adjustments for:			
Depreciation and amortization	**32,383**	25,615	22,275
Impairment loss (note 16 (a))	**15,149**	–	–
Loss on disposal and writedown of fixed assets	**1,197**	7,373	1,949
Stock-based compensation costs	**908**	1,050	477
Future income taxes	**1,764**	176	2,947
Non-controlling interest	**260**	34	–
Unrealized foreign exchange loss	**843**	2,552	586
Changes in non-cash working capital balances:			
Accounts receivable	**(41,058)**	(22,694)	(20,236)
Inventories	**(35,435)**	(17,790)	(13,112)
Prepaid expenses and deposits	**95**	(1,082)	440
Accounts payable and accrued liabilities	**11,046**	11,979	5,416
Income taxes payable	**740**	(6)	(2,073)
	94,721	93,250	58,920
Cash flows from (used in) financing activities:			
Repayment of long-term debt	**(23,866)**	(24,739)	(19,981)
Increase in long-term debt	**691**	12,086	4,125
(Decrease) increase in bank indebtedness	**(17,830)**	3,980	–
Repayment of capital leases	**(186)**	(157)	(1,158)
Proceeds from the issuance of shares	**1,808**	5,872	2,664
Contribution by non-controlling interest	**–**	2,500	–
	(39,383)	(458)	(14,350)
Cash flows from (used in) investing activities:			
Purchase of fixed assets	**(80,183)**	(86,124)	(53,684)
Acquisition of Kentucky Derby Hosiery Co., Inc. (note 3)	**(19,911)**	–	–
Proceeds from the sale of assets held for sale	**5,027**	4,087	–
Increase in other assets	**(986)**	(1,811)	(136)
	(96,053)	(83,848)	(53,820)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(80)**	187	581
Net (decrease) increase in cash and cash equivalents during the year	**(40,795)**	9,131	(8,669)
Cash and cash equivalents, beginning of year	**69,802**	60,671	69,340
Cash and cash equivalents, end of year	**$ 29,007**	$ 69,802	$ 60,671

Supplemental disclosure of cash flow information (note 17 (c))
See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

Gildan Activewear Inc. (the "Company") is incorporated under the Canada Business Corporations Act. Its principal business activity is the manufacture and sale of activewear, socks and underwear. The Company's fiscal year ends on the first Sunday following September 28. All references to 2006, 2005 and 2004 represent the fiscal years ended October 1, 2006, October 2, 2005 and October 3, 2004, respectively.

1 2005 Accounting Changes

Effective the beginning of the Company's 2005 fiscal year, the Company adopted, on a prospective basis, the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 – *Consolidation of Variable Interest Entities* ("AcG-15") ("VIEs"). 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) ("CanAm") with Frontier Spinning Mills, Inc. met the criteria for being a VIE and that the Company is the primary beneficiary of the entity.

The application of the guideline in fiscal 2005 resulted in an increase to total assets of $7,929, total liabilities of $5,069 and non-controlling interest of $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. 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 is 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%

Construction in progress includes expenditures incurred to-date, including deposits for equipment and plant expansions which are still in progress or are not yet in service as at the balance sheet date. Accordingly, depreciation on these assets will commence when the assets are put into service.

(e) Intangible assets

Intangible assets, which represent customer contracts and customer relationships included in the acquisition of Kentucky Derby Hosiery Co., Inc. are being amortized on a straight-line basis over a period of fifteen years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

2 Significant Accounting Policies (Continued)

(f) Impairment of long-lived assets

Long-lived assets, consisting of fixed assets and intangible assets with finite lives, are reviewed for potential impairment whenever events and changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. An impairment loss would be recognized when the estimated undiscounted future cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. The amount of the impairment loss recognized is measured as the amount by which the carrying value for an asset exceeds the fair value of the asset, with fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the asset.

(g) 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".

(h) 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 areas requiring the use of management estimates and assumptions include the key assumptions used in determining the allowance for doubtful accounts, future income tax assets and liabilities, stock-based compensation costs, estimating the fair value of identifiable tangible and intangible assets in a business combination and the useful life and recoverability of fixed assets and intangible assets.

(i) Foreign currency translation

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.

(j) Revenue recognition

Sales are recognized upon shipment of products to customers, since title passes upon shipment. At the time of sale, estimates are made for customer price discounts and rebates based upon existing programs. 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 and a provision for estimated sales returns, which is based on historical experience and other known factors, and exclude sales taxes.

(k) 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 and yarn that are not recoverable in future sales of finished goods, and records a charge to earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

2 Significant Accounting Policies (Continued)

(l) 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.

When the Company utilizes derivatives in hedge accounting relationships, 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 in 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.

As at October 1, 2006, all outstanding forward foreign exchange contracts were reported on a mark-to-market basis, and the gains or losses were included in earnings. The Company elected not to follow hedge accounting for these derivatives.

(m) 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.

(n) 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.

In fiscal 2006, the Company changed its accounting policy to estimate forfeitures of stock options and restricted share units when determining stock-based compensation. In prior years, the Company accounted for forfeitures as they occurred. This change in accounting policy had no significant impact on the financial position of the Company or on the results of its operations.

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.

(o) 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.

(p) 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, as well as the amount of unrecognized stock-based compensation are used to repurchase common shares at the average share price for the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
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2 Significant Accounting Policies (Continued)

(q) 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.

(r) Guarantees

In the normal course of business, the Company enters into various agreements that may contain guarantees. A liability is recorded when the Company considers probable that a payment relating to the guarantee has to be made to the other party.

(s) Business acquisitions

The Company accounts for business acquisitions using the purchase method. Accordingly, the purchase price of a business acquisition is allocated to its identifiable net assets including identifiable intangible assets, on the basis of estimated fair values as at the date of purchase, with any excess being assigned to goodwill. When the amounts assigned to identifiable net assets exceed the cost of the purchase, resulting in negative goodwill, the excess is applied, to the extent possible, to certain noncurrent assets, with the balance recorded as an extraordinary gain.

3 Business Acquisition

Effective July 6, 2006, the Company acquired 100% of the common shares of Kentucky Derby Hosiery Co., Inc. ("Kentucky Derby"), a U.S. hosiery manufacturer with corporate headquarters in Hopkinsville, Kentucky. The total purchase price of $20,371, including transaction costs, was paid in cash, except for $460 which was settled through the issuance of common shares of the Company. The acquisition is intended to enhance and accelerate the Company's strategy to enter the North American mass-market retail channel as a supplier of athletic socks, underwear and activewear.

The Company accounted for this acquisition using the purchase method and the results of Kentucky Derby have been consolidated with those of the Company from the date of acquisition.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired		
Accounts receivable	$	15,081
Income taxes receivable		775
Inventory		30,357
Prepaid expenses		1,458
Fixed assets		6,993
Customer contracts and customer relationships		9,866
		64,530
Liabilities assumed		
Bank indebtedness		17,350
Accounts payable and accrued liabilities		16,734
Long-term debt		10,075
		44,159
Net assets acquired	$	20,371
Consideration		
Cash	$	19,000
10,000 common shares		460
Transaction costs		911
	$	20,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
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3 Business Acquisition (Continued)

Immediately following the acquisition, the Company repaid the entire amount of bank indebtedness and $3,987 of long-term debt.

The value of the shares issued as consideration for the business acquisition was $46.00 per share, which was determined using the Company's average closing share price on the New York Stock Exchange over a reasonable period before and after the date the terms of the business consideration were agreed to and announced.

Included in the purchase price allocation is an accrual of $1,500 for estimated costs, which includes severance and other employee related costs, for the restructuring and integration of the operations of Kentucky Derby. The restructuring and integration process is expected to be completed during the next fiscal year. As at October 1, 2006, the entire amount is included in "Accounts payable and accrued liabilities".

4 Fixed Assets

			2006
	Cost	**Accumulated depreciation**	**Net book value**
Land	**$ 21,669**	**$ –**	**$ 21,669**
Buildings and improvements	**109,949**	**19,442**	**90,507**
Equipment	**268,420**	**107,530**	**160,890**
Construction in progress	**29,611**	**–**	**29,611**
	$ 429,649	**$ 126,972**	**$ 302,677**

			2005
	Cost	Accumulated depreciation	Net book value
Land	$ 19,032	$ –	$ 19,032
Buildings and improvements	95,207	10,691	84,516
Equipment	227,046	73,619	153,427
Construction in progress	3,640	–	3,640
	$ 344,925	$ 84,310	$ 260,615

For fiscal 2006, accumulated depreciation includes an asset impairment loss of $15,149, described in note 16 (a).

5 Intangible Assets

	2006	2005
Customer contracts and customer relationships (note 3)	**$ 9,866**	$ –
Less accumulated amortization	**(353)**	–
	$ 9,513	$ –

6 Other Assets

	2006	2005
Deferred charges, net of accumulated amortization of $6,544 (2005 – $5,716)	**$ 2,333**	$ 1,482
Long-term receivable	**758**	1,133
Deposits	**581**	662
Prepaid equipment rental	**441**	446
Other	**388**	313
	$ 4,501	$ 4,036

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

7 Bank Indebtedness

The Company's joint venture, CanAm, has a revolving line of credit in the amount of $4,000. As at October 1, 2006, the joint venture had utilized $3,500 (2005 – $3,980) of its line of credit. The borrowings are due on demand and bear interest at 30-day LIBOR plus 2.25% (7.58% at October 1, 2006; 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.

8 Long-Term Debt

		2006		2005
Secured				
Senior notes (a)	**$**	**17,500**	$	35,000
Term loan, repayable in monthly instalments, bearing interest at 30-day LIBOR plus 2.75% (8.07% at October 1, 2006; 6.63% at October 2, 2005), maturing in September 2012; secured by assets (b)		**9,657**		10,658
Term loan, repayable in monthly instalments, bearing interest at a fixed rate of 6%, maturing in December 2008; secured by equipment (b)		**734**		1,041
Municipal bonds, repayable in annual instalments, bearing interest at variable rates (3.85% at October 1, 2006), maturing in January 2010; secured by building and equipment (c)		**2,860**		–
Notes payable to bank due in monthly instalments, bearing interest at fixed rates ranging from 4.39% to 5.38%, maturing from December 2006 to June 2009; secured by equipment (c)		**2,128**		–
Note payable to bank due in monthly instalments, bearing interest at a fixed rate of 4.84%, maturing in October 2009; secured by equipment (c)		**647**		–
Note payable to bank due in monthly instalments, bearing interest at NY Prime plus 0.25% (8.50% at October 1, 2006), maturing in July 2011; secured by a building (c)		**195**		–
Obligations under capital leases, bearing interest at 3.83%		**–**		186
		33,721		46,885
Current portion of secured debt		**21,712**		19,737
	$	**12,009**	$	27,148
Unsecured				
Term loans, bearing interest at rates up to 5% per annum, maturing at various dates through 2008	**$**	**140**	$	262
Current portion of unsecured debt		**108**		122
	$	**32**	$	140
Total secured and unsecured long-term debt	**$**	**12,041**	$	27,288

(a) The notes bear interest at 9.51% on $13,750 and 9.88% on $3,750, and are secured by tangible and intangible property of the Company. The combined effective interest rate on the senior notes for fiscal 2006 and 2005 was 9.59%. The notes mature in June 2007.

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

The fixed assets of CanAm serve as collateral for the long-term borrowings of CanAm. In addition, the Company has provided a guarantee of $3,500 on the term debt and revolving credit facility with the bank. Other creditors of CanAm do not have any recourse to the general credit of the Company.

(c) As a result of the acquisition of Kentucky Derby, described in note 3, the Company assumed the obligations entered into by Kentucky Derby.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
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8 Long-Term Debt (Continued)

The Company has a revolving term credit facility for a maximum of $200,000 which matures in July 2009. 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 1, 2006 or October 2, 2005.

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 1, 2006 and October 2, 2005.

Principal payments due on long-term debt are as follows:

Fiscal year		
2007	$	21,820
2008		3,581
2009		2,901
2010		2,408
2011		1,664
Thereafter		1,487
	$	33,861

9 Shareholders' Equity

Changes in share capital were as follows:

	2006			2005		
	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:						
Common shares:						
Total outstanding, beginning of year	**59,954,530**	**$**	**84,177**	–	$	–
Conversion of Class A shares into common shares (a)	**–**		**–**	59,397,412		78,170
Shares issued pursuant to business acquisition (note 3)	**10,000**		**460**	–		–
Shares issued under employee share purchase plan	**8,321**		**360**	9,916		200
Shares issued pursuant to exercise of stock options	**140,983**		**1,587**	547,202		5,807
Total outstanding, end of year	**60,113,834**		**86,584**	59,954,530		84,177
Class A subordinate voting shares:						
Total outstanding, beginning of year	**–**		**–**	59,397,412		78,170
Conversion of Class A shares into common shares (a)	**–**		**–**	(59,397,412)		(78,170)
Total outstanding, end of year	**–**		**–**	–		–
	60,113,834	**$**	**86,584**	59,954,530	$	84,177

The amounts credited to share capital from the exercise of stock options include a cash consideration of $1,448 (2005 – $5,672) as well as an ascribed value from contributed surplus of $139 (2005 – $135).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
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9 Shareholders' Equity (Continued)

(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 A subordinate voting shares as well as the rights, privileges, restrictions and conditions attached thereto.

(b) On December 1, 2005, 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, 2005 and ending December 21, 2006. As at October 1, 2006, 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) Changes in contributed surplus were as follows:

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
Stock-based compensation related to stock options and restricted share units		908
Ascribed value credited to share capital from exercise of stock options		(139)
Balance, October 1, 2006	$	2,365

(e) Cumulative translation adjustment:

At the commencement of fiscal 2004, 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.

10 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 1, 2006, a total of 61,077 (2005 – 52,756) shares were issued under these plans.

(b) Stock options and restricted share units:

The Company's Long Term Incentive Plan (the "LTIP") includes stock options and restricted share units. The LTIP allows the Board of Directors to grant stock options and dilutive restricted share units ("Treasury RSUs") to officers and other key employees of the Company and its subsidiaries. On February 2, 2006, the shareholders of the Company approved an amendment to the LTIP to fix at 3,000,158 the number of common shares that are issuable pursuant to the exercise of stock options and the vesting of Treasury RSUs. As at October 1, 2006, 2,062,187 common shares remained authorized for future issuance under this plan.

The exercise price payable for each common share covered by a stock option is determined by the Board of Directors at the date of the grant, but may not be less than the closing price of the common shares of the Company on the trading day immediately preceding the effective date of the grant. 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 the grant.

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10 Stock-Based Compensation (Continued)

Changes in outstanding stock options were as follows:

	Number	Weighted average exercise price
		(in Canadian dollars)
Options outstanding, October 3, 2004	1,142,646	$ 12.88
Exercised	(547,202)	12.78
Forfeited	(26,666)	20.45
Options outstanding, October 2, 2005	568,778	12.62
Exercised	(140,983)	12.38
Options outstanding, October 1, 2006	427,795	$ 12.70

The following table summarizes information about stock options outstanding and exercisable at October 1, 2006:

	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	49,056	$ 3.78	2.17	49,056	$ 3.78
$ 9.85 – 10.79	50,830	10.46	5.12	50,830	10.46
$ 12.13 – 13.75	208,856	12.68	4.07	208,856	12.68
$ 17.00 – 20.45	119,053	17.35	4.54	109,500	17.29
	427,795	$ 12.70		418,242	$ 12.58

A Treasury RSU represents the right of an individual to receive one common share on the vesting date without any monetary consideration being paid to the Company. With the exception of a special, one-time award, which vests at the end of an eight-year period, all other Treasury RSUs awarded to-date vest at the end of a five-year vesting period. The Treasury RSUs are subject to vesting conditions, with 50% of each award vesting at the end of their vesting period on the basis of time and the remaining 50% of each award vesting based on the achievement of specified Company performance objectives. Compensation expense relating to the Treasury RSUs is recognized in the financial statements over the vesting period based on the fair value of the Treasury RSUs on the date of the grant and estimates relating to forfeitures and the probability of performance objectives being met. The fair value of the Treasury RSUs granted is equal to the market price of the common shares of the Company at the time of grant.

Changes in outstanding Treasury RSUs were as follows:	Number	Weighted average fair value per unit
		(in Canadian dollars)
RSUs outstanding, October 3, 2004	224,000	$ 19.65
Granted	162,000	27.83
Forfeited	(30,000)	18.33
RSUs outstanding, October 2, 2005	356,000	23.48
Granted	120,500	45.72
Forfeited	(60,000)	25.55
RSUs outstanding, October 1, 2006	416,500	$ 29.62

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10 Stock-Based Compensation (Continued)

As of October 1, 2006, none of the awarded and outstanding Treasury RSUs were vested. The compensation expense recorded for fiscal 2006, in respect of the LTIP, was $908 (2005 – $919). 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.

11 Deferred Share Unit Plan

The Company has a deferred share unit plan for independent members of the Company's Board of Directors who must receive 50% of their annual retainers 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 1, 2006, there were 1,991 (2005 – 2,666) DSUs outstanding at a value of $96 (2005 – $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".

Changes in outstanding DSUs were as follows:

DSUs outstanding, October 3, 2004	–
Granted	2,666
DSUs outstanding, October 2, 2005	2,666
Granted	1,497
Settled	(2,172)
DSUs outstanding, October 1, 2006	1,991

12 Commitments and Contingent Liabilities

(a) The minimum annual lease payments under operating leases for premises, equipment and aircraft are approximately as follows:

Fiscal year		
2007	$	9,980
2008		5,175
2009		4,180
2010		3,439
2011		2,959
Thereafter		8,996
	$	34,729

(b) As at October 1, 2006, there were contractual obligations outstanding of approximately $46,882 for the acquisition of fixed assets (2005 – $16,971).

(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.

(d) In November 2002, one of the Company's Mexican subsidiaries ("Gildan Mexico") received a tax assessment from a regional taxation office relating to duties for the 2000 fiscal year for approximately $6,000. The substance of the assessment was that the Mexican tax authorities adopted the position that Canadian-made textiles shipped to Gildan Mexico for sewing processing had not subsequently been exported from Mexico. Gildan Mexico appealed the assessment and was successful in obtaining a judgement in its favour. Notwithstanding the judgement, the regional Mexican taxation office issued a new assessment in March 2005, and increased the assessed amount to approximately $7,100, primarily comprising interest and late payment penalties. Shortly after receiving the second assessment, Gildan Mexico again filed an appeal. In July 2006, Gildan Mexico received notification that its appeal of the second assessment for fiscal 2000 was unsuccessful. The Company has received legal opinions that the tax assessment is without merit under Mexican law governing re-export from maquiladora operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12 Commitments and Contingent Liabilities (Continued)

Additionally, Gildan Mexico, a maquiladora operation, has provided documentation to establish that the textiles imported into Mexico for sewing were subsequently exported to the United States and Canada. The Company is pursuing all available avenues to resolve this matter in its favour. At the present time, the Mexican authorities are not attempting to enforce payment of this tax assessment. The Company expects to be successful in its efforts to clarify and resolve this matter and, accordingly, no provision has been made in the accounts for this potential liability.

13 Guarantees

As at October 1, 2006, 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 1, 2006, the maximum potential liability under these guarantees was $43,100, of which $5,700 was for surety bonds and $37,400 was for corporate guarantees and standby letters of credit. The standby letters of credit mature at various dates during fiscal 2007, the surety bonds are automatically renewed on an annual basis and the corporate guarantees mature at various dates up to fiscal 2010.

As at October 1, 2006, the Company has recorded no 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 requiring performance under the guarantees in the event that specified triggering events or conditions occur approximates the cost of obtaining the standby letters of credit and surety bonds.

14 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:

		2006		2005		2004
Combined basic Canadian federal and provincial income taxes	**$**	**35,459**	$	27,075	$	20,012
Increase (decrease) in income taxes resulting from:						
Effect of different tax rates on earnings of foreign subsidiaries		**(33,664)**		(29,016)		(19,935)
Effect of non-deductible expenses and other		**2,987**		3,293		3,001
	$	**4,782**	$	1,352	$	3,078

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:

		2006		2005		2004
Current income taxes	**$**	**3,018**	$	1,176	$	131
Future income taxes		**1,764**		176		2,947
	$	**4,782**	$	1,352	$	3,078

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.

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14 Income Taxes (Continued)

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. In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized.

Significant components of the Company's future tax position are as follows:

		2006		2005
Future income tax assets (liabilities):				
Non-capital losses and research and development expenses	**$**	**5,495**	$	6,735
Reserves and accruals		**5,561**		2,200
Other		**949**		1,200
		12,005		10,135
Less valuation allowance		**(4,624)**		–
		7,381		10,135
Fixed assets and other		**(31,526)**		(31,386)
Net future income tax liability	**$**	**(24,145)**	$	(21,251)
Presented as:				
Current assets	**$**	**5,298**	$	10,135
Long-term liabilities		**(29,443)**		(31,386)
	$	**(24,145)**	$	(21,251)

The Company has unused tax losses expiring in 2026 and deductible temporary differences in the amount of $16,661 arising from the acquisition of Kentucky Derby. The Company recorded a valuation allowance due to the uncertainty of realizing the benefits of these items.

15 Earnings Per Share

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

		2006		2005		2004
Basic earnings per share:						
Basic weighted average number of common shares outstanding		**60,051,683**		59,690,966		59,181,610
Basic earnings per share	**$**	**1.78**	$	1.44	$	1.02
Diluted earnings per share:						
Basic weighted average number of common shares outstanding		**60,051,683**		59,690,966		59,181,610
Plus impact of stock options and Treasury RSUs		**574,201**		443,910		489,568
Diluted weighted average number of common shares outstanding		**60,625,884**		60,134,876		59,671,178
Diluted earnings per share	**$**	**1.76**	$	1.43	$	1.01

All stock options and Treasury RSUs outstanding for fiscal 2006 and 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.

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16 Restructuring and Other Charges

The following table summarizes the components of restructuring and other charges:

		2006		2005		2004
Canadian textile manufacturing restructuring (a)	**$**	**18,930**	$	–	$	–
Restructuring of yarn-spinning facilities (b)		**–**		10,726		–
Charge to comply with employment contract (c)		**1,456**		1,050		4,614
	$	**20,386**	$	11,776	$	4,614

(a) In September 2006, the Company announced a restructuring of its Canadian manufacturing operations to take effect in December 2006, involving the closure of its textile manufacturing facility in Valleyfield, Quebec and the downsizing of its Montreal, Quebec knitting facility. The Company has recorded a charge of $18,930 relating to this restructuring and the concurrent re-assessment of the recoverability of the carrying values of its remaining Canadian textile manufacturing and related assets. Under the Company's business model, there are essentially no tax recoveries with respect to this charge. The components of this charge include employee severance of $2,141 with respect to the Valleyfield and Montreal textiles facilities, an asset impairment loss of $15,149 relating to all of the Canadian textile and related manufacturing fixed assets, and other costs of $1,640. The Company was required to recognize asset impairment charges to reduce the carrying value of the fixed assets to fair value because the carrying value of the assets exceeded the future cash flows which they were projected to generate during the balance of their estimated economic lives. As at October 1, 2006, all amounts accrued for severance and other costs remained unpaid and are included in "Accounts payable and accrued liabilities".

(b) During fiscal 2005, the Company closed its two Canadian yarn-spinning facilities, and relocated a major portion of its yarn-spinning equipment to a North Carolina spinning facility operated by CanAm. The Company recorded a charge of $10,726 before tax ($7,008 after tax) during fiscal 2005 for the costs associated with this closure. The components of the charge included a writedown to fair value of the fixed assets not transferred to CanAm of $6,783, employee severance of $3,688, and other costs of $255. The fixed assets not transferred to CanAm were classified as held for sale at their estimated fair values.

Proceeds from assets held for sale of $4,087 and $5,027 were received, respectively in fiscal 2005 and in fiscal 2006. Severance costs were paid in full in fiscal 2005.

(c) During fiscal 2004, the Company expensed $4,614 ($3,184 after tax) representing management's best estimate of the cost of financial obligations pursuant to an employment contract with the former Chairman and Co-Chief Executive Officer of the Company. The employment contract includes variable components related to the Company's financial and operating performance to fiscal 2009. Most of the payments under this contract are payable in Canadian dollars. Movements in the accrual were as follows:

Balance, October 3, 2004	$	2,225
Adjustments related to variable components of contractual obligations		1,050
Foreign exchange adjustment		153
Payments		(646)
Balance, October 2, 2005		2,782
Adjustments related to variable components of contractual obligations		1,456
Foreign exchange adjustment		114
Payments		(1,064)
Balance, October 1, 2006	$	3,288

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

17 Other information

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

		2006		2005		2004
Depreciation expense of fixed assets	**$**	**31,006**	$	24,677	$	21,511
Interest expense on long-term debt		**4,253**		4,805		6,226
Interest expense on short-term indebtedness		**280**		56		–
Foreign exchange gain (loss)		**1,578**		(1,113)		47
Defined contribution plan expense		**1,035**		688		442
Amortization expense of deferred start-up costs		**770**		502		377
Amortization of intangible assets		**353**		–		–
Amortization of deferred financing costs		**254**		436		387
Investment income		**1,466**		450		248
Research and development tax credits		**1,290**		761		360

(b) An amount of approximately $1,035 (2005 – $1,173; 2004 – $500) is included as compensation costs in "Selling, general and administrative expenses" for fiscal 2006 in respect of the employee share purchase plans, RSUs, DSUs and certain stock options.

(c) Supplemental cash flow disclosure:

		2006		2005		2004
Cash paid during the year for:						
Interest	**$**	**4,771**	$	4,516	$	6,404
Income taxes		**2,031**		1,557		1,812
Non-cash transactions:						
Additions to fixed assets included in accounts payable and accrued liabilities		**2,979**		740		3,473
Issuance of shares on acquisition of Kentucky Derby		**460**		–		–
Cash and cash equivalents consist of:						
Cash balances with banks	**$**	**27,810**	$	38,802	$	33,571
Short-term investments, bearing interest at 4.90% (2005 – 3.67%; 2004 – 1.72%)		**1,197**		31,000		27,100
	$	**29,007**	$	69,802	$	60,671

18 Related Party Transactions

The Company has transactions with Frontier Spinning Mills, Inc., which manages the operations of 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 and balances owed:

		2006		2005		2004
Transactions:						
Yarn purchases	**$**	**100,432**		$106,820	$	94,910
Management fee expense		**750**		562		–
Balances outstanding:						
Accounts payable	**$**	**18,877**	$	15,631		

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

19 Financial Instruments

(a) Foreign currency risk management:

A portion of the Company's sales and operating expenses are denominated in currencies other than US dollars. The Company uses the revenue stream in these non-US dollar currencies as a partial, 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 1, 2006 and October 2, 2005:

	Notional amount	Exchange rate	Maturity	Notional US dollar equivalent
2006:				
Buy contracts:				
Foreign exchange contracts	**€ 9,756**	**1.2056 to 1.2696**	**Oct. 2006 – June 2007**	**$ 11,934**
	CA$ 6,250	**0.8961**	**Oct. 2006**	**5,600**
2005:				
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
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

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 major North American and European financial institutions.

The Company's extension of credit involves judgement 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. As at October 1, 2006, the Company's top 10 customers accounted for 57.0% (2005 – 60.1%) of the trade receivable balance, of which one customer represented 18.1% (2005 – 20.5%). The remaining trade receivable balances are dispersed among a large number of debtors across many geographic areas including the United States, Canada, Europe and Australasia.

An allowance for doubtful accounts is maintained for 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars)

19 Financial Instruments (Continued)

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 $34,479 (2005 – $49,532) compared to a carrying value of $33,861 (2005 – $47,147) as at October 1, 2006. The fair value of the forward foreign exchange contracts is $502 (2005 – $2,953) as at October 1, 2006. 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.

20 Segmented Information

The Company manufactures and sells activewear, socks and underwear. The Company operates in one business segment, being high-volume, basic, frequently replenished, non-fashion apparel.

(a) Sales by major product group:

		2006		2005	2004
Activewear and underwear	**$**	**743,215**	$	653,851	$ 533,368
Socks		**29,975**		–	–
	$	**773,190**	$	653,851	$ 533,368

(b) 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 (2005 – 28.2%; 2004 – 25.0%).

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

		2006		2005	2004
United States	**$**	**680,048**	$	567,084	$ 452,060
Canada		**50,440**		46,009	44,827
Europe and other		**42,702**		40,758	36,481
	$	**773,190**	$	653,851	$ 533,368

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

		2006	2005
Caribbean Basin and Central America	**$**	**200,170**	$ 141,029
United States		**68,591**	67,260
Canada		**31,407**	47,711
Mexico		**2,509**	4,615
	$	**302,677**	$ 260,615

21 Comparative figures

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

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Gildan Activewear Inc.

We consent to the inclusion in this annual report on Form 40-F of:

- our auditors' report dated December 6, 2006 on the consolidated balance sheets of Gildan Activewear Inc. as at October 1, 2006 and October 2, 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years ended October 1, 2006, October 2, 2005 and October 3, 2004
- our auditors' report dated December 6, 2006 on reconciliation to United States generally accepted accounting principles
- our Report on Internal Control over Financial Reporting under Standards of the Public Company Accounting Oversight Board (United States) dated December 6, 2006 on management's assessment of the effectiveness of internal control over financial reporting as of October 1, 2006 and the effectiveness of internal control over financial reporting as of October 1, 2006

each of which is included in this annual report on Form 40-F of Gildan Activewear Inc. for the fiscal year ended October 1, 2006.

/s/KPMG LLP

Chartered Accountants

Montréal, Canada
December 20, 2006

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

KPMG

Supplementary Information of

GILDAN ACTIVEWEAR INC.

Three years ended October 1, 2006

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AUDITORS' REPORT ON RECONCILIATION TO UNITED STATES GAAP

To the Board of Directors of Gildan Activewear Inc.

On December 6, 2006, we reported on the consolidated balance sheets of Gildan Activewear Inc. (the "Company") as at October 1, 2006 and October 2, 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years ended October 1, 2006, October 2, 2005 and October 3, 2004 which are included in the annual report on Form 40-F. In connection with our audits conducted in accordance with Canadian generally accepted auditing standards and, with respect to the year ended October 1, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States) of the aforementioned consolidated financial statements, we also have audited the related supplemental note entitled "Reconciliation to United States GAAP" included in the Form 40-F. This supplemental note is the responsibility of the Company's management. Our responsibility is to express an opinion on this supplemental note based on our audits.

In our opinion, such supplemental note, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/KPMG LLP

Chartered Accountants

Montréal, Canada
December 6, 2006

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

GILDAN ACTIVEWEAR INC.

Reconciliation to United States GAAP

Years ended October 1, 2006, October 2, 2005 and October 3, 2004
(In thousands of US dollars, except share and per share amounts)

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:

	2006	2005	2004
Net earnings in accordance with Canadian GAAP	$ 106,829	$ 86,043	$ 60,251
Swap expense (i)	(94)	(175)	(586)
Start-up costs (ii)	(537)	(293)	(347)
Stock-based compensation (iii)	–	–	106
Tax effect of above adjustments	29	54	32
Net earnings in accordance with United States GAAP	106,227	85,629	59,456
Other comprehensive income:			
Mark-to-market adjustments on foreign exchange contracts, net of tax (2005 - $261; 2004 - $655) (d)	–	580	1,457
Comprehensive income	$ 106,227	$ 86,209	$ 60,913

	2006	2005	2004
Earnings per share under United States GAAP:			
Basic	$ 1.77	$ 1.44	$ 1.00
Diluted	1.75	1.43	1.00
Weighted average number of common shares outstanding:			
Basic	60,051,683	59,690,966	59,181,610
Diluted	60,625,884	60,134,876	59,671,178

(a) Consolidated statements of earnings (continued):

(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.

(iii) Stock-based compensation:

On October 3, 2005, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), "Share-Based Payment", which requires the expensing of all options issued, modified or settled based on the grant date fair value over the period during which an employee is required to provide service (vesting period). The standard also requires that cash settled awards be measured at fair value at each reporting date until ultimate settlement.

(a) Consolidated statements of earnings (continued):

(iii) Stock-based compensation (continued):

The Company adopted SFAS No. 123 (R) using the modified prospective approach, which requires application of the standard to all awards granted, modified, repurchased or cancelled on or after October 3, 2005, and to all awards for which the requisite service has not been rendered as at such date. Since October 6, 2003, the Company has been following the fair value based approach prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", for stock option awards granted, modified or settled on or after such date, while cash settled awards were measured at their intrinsic value at each reporting period until October 2, 2005. As such, the application of SFAS No. 123 (R) on October 3, 2005 to all awards granted prior to its adoption did not have a significant impact on the financial statements. In accordance with the modified prospective approach, prior period financial statements have not been restated to reflect the impact of SFAS No. 123 (R).

For fiscal 2006, the application of SFAS No. 123 (R) had no significant impact on the financial position of the Company or on the results of its operations.

Prior to October 3, 2005, the Company followed the fair value-based approach for stock option awards and had prospectively applied this method of accounting to all awards granted, modified or settled on or after October 6, 2003, and measured cash settled awards at their intrinsic value at period-end.

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:

	2006	2005	2004
Changes due to United States GAAP:			
Operating activities on a Canadian basis	$ 94,721	$ 93,250	$ 58,920
Start-up costs	(537)	(293)	(347)
Operating activities cash flow, United States GAAP	94,184	92,957	58,573
Investing activities on a Canadian basis	(96,053)	(83,848)	(53,820)
Start-up costs	537	293	347
Investing activities cash flow, United States GAAP	(95,516)	(83,555)	(53,473)
Financing activities on a Canadian basis and under United States GAAP	(39,383)	(458)	(14,350)
Effect of exchange rate changes on cash and cash equivalents	(80)	187	581
Net (decrease) increase in cash and cash equivalents, during the year	(40,795)	9,131	(8,669)
Cash and cash equivalents, United States GAAP, beginning of year	69,802	60,671	69,340
Cash and cash equivalents, United States GAAP, end of year	$ 29,007	$ 69,802	$ 60,671

(c) Consolidated balance sheets:

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

	2006	2005
Shareholders' equity under Canadian GAAP	$ 530,565	$ 420,560
United States GAAP adjustments:		
Start-up costs	(1,590)	(1,053)
Foreign exchange contracts	–	2,953
Cross-currency swap	29	123
Tax effect on above adjustments	(9)	(954)
	(1,570)	1,069
Shareholders' equity under United States GAAP	$ 528,995	$ 421,629

(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 in fiscal 2004 and fiscal 2005, the effect of which reversed in fiscal 2006, is as follows:

	2006	2005	2004
Opening balance	$ 28,285	$ 27,705	$ 26,248
Change during the year	(2,037)	580	1,457
	$ 26,248	$ 28,285	$ 27,705

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

(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.

	2006	2005	2004
Statements of earnings:			
Rental expenses	$ 5,535	$ 3,517	$ 2,826
Advertising expenses	6,627	5,760	5,148
Balance sheets:			
Accounts payable	58,089	43,234	40,040
Accrued liabilities	59,866	43,486	34,458
Allowance for doubtful accounts, price discounts and rebates	57,487	42,258	23,460

EXHIBIT 99.6

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

I, Glenn J. Chamandy, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a) – 15(f) and 15(d) – 15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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 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 20, 2006

/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, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a) – 15(f) and 15(d) – 15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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 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 20, 2006

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

EXHIBIT 99.7

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 1, 2006 (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, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. 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 20, 2006

/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 1, 2006 (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, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. 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 20, 2006

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