SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

¨	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: September 30, 2007 **Commission File number: 1-14830**

GILDAN ACTIVEWEAR INC.

(Exact name of registrant as specified in its charter)

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	**New York Stock Exchange** **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:
120,419,461

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 September 30, 2007

December 19, 2007

GILDAN ACTIVEWEAR INC.

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This Annual Information Form is dated December 19, 2007 and, except as otherwise indicated, the information contained herein is given as of December 19, 2007.

Unless otherwise indicated, all dollar amounts set forth herein are expressed in U.S. dollars and all financial information set forth herein is prepared in accordance with Canadian generally accepted accounting principles.

Unless otherwise indicated, all references to share prices, trading volumes and per share measures are adjusted, on a retroactive basis, to reflect all stock splits, including the two-for-one stock split effective in May 2007.

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 venture.

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:

- *2007 Annual Report;*
- *2007 Notice of Annual Meeting of Shareholders and Management Proxy Circular (the "Circular"); and*
- *Material Change Report filed through SEDAR on September 27, 2007.*

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. Results indicated in forward-looking statements may differ materially from the actual results. Please refer to the cautionary statement at page 18 of this Annual Information Form for further explanation.

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 2005, we changed our French name to Les Vêtements de Sport Gildan Inc.

In June 1998, in conjunction with a planned 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. On June 17, 1998, we completed our initial public offering of an aggregate of 3,000,000 Class A Subordinate Voting shares at Cdn$10.29 per share, on a pre-split basis, for total gross proceeds of Cdn$30,880,500.

On February 2, 2005, we filed Articles of Amendment in order to, among other things, (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, and (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.

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

The following table indicates our principal subsidiaries, their jurisdiction of incorporation and the percentage of voting securities that we beneficially own or over which we exercise direct or indirect control:

Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities or Partnership Interest that Gildan held as at December 19, 2007
Gildan Activewear SRL	Barbados	100%
Kentucky Derby Hosiery Co., Inc.	Kentucky	100%
Gildan Choloma Textiles, S. de R.L.	Honduras	100%
Gildan Activewear Dominican Republic Textile Company Inc.	Barbados	100%
Gildan Activewear Honduras Textiles Company, S. de R.L.	Honduras	100%
Gildan Honduras Hosiery Factory, S. de R.L.	Honduras	100%
Gildan Activewear Properties (Dominican Republic) Inc.	Barbados	100%
Gildan Activewear (Eden) Inc.	North Carolina	100%
Gildan Activewear (UK) Limited	United Kingdom	100%
V.I. Prewett & Son, Inc.	Alabama	100%

The subsidiaries that have been omitted do not represent individually more than 10% of the consolidated assets and the consolidated sales and operating revenues of Gildan, and in the aggregate more than 20% of the total consolidated assets and the consolidated sales and operating of revenues as at September 30, 2007.

2. GENERAL DEVELOPMENT OF THE BUSINESS

The following section describes how our business has evolved in the last three completed financial years and lists key events that have influenced the development of our business.

2.1 Developments in Fiscal 2007

Growth Strategy

Over the past fiscal year, we have continued to achieve higher market share gains in the U.S. wholesale screenprint market and in international screenprint markets. We are also making progress in our plans to penetrate the U.S. mass retail market for high-volume, basic, frequently replenished, non-fashion family apparel. Our acquisition of Kentucky Derby Hosiery Co., Inc. ("Kentucky Derby") in July 2006 provided us with enhanced distribution to major U.S. mass-market retailers, and permitted us to achieve, in March 2007, our first national branded sock program for men's and boys' socks with a U.S. national retailer. In June 2007, we began shipments of a major private label sock program to a second U.S. national mass-market retailer. The acquisition of V.I. Prewett & Son, Inc. ("Prewett") in October 2007, as described below, is intended to further strengthen our positioning as a full-product supplier of socks, activewear and underwear for the retail channel.

Acquisition of U.S. Sock Manufacturer

On October 15, 2007, we acquired 100% of the common shares of Prewett, a large U.S. supplier of basic family socks to U.S. mass-market retailers. Prewett's corporate headquarters are located in Fort Payne, Alabama. The initial purchase price was $125 million, subject to post-closing adjustments, with further contingent payments of up to $10 million. The purchase price was paid in cash at closing and was financed out of our revolving long-term credit facility. With this acquisition, we are now one of the leading suppliers of socks in the U.S. mass-market retail channel.

Manufacturing Operations

In March 2007, consistent with our ongoing strategy to enhance our overall cost structure by maximizing large-scale production of T-shirts, fleece, sport shirts and underwear at our vertically-integrated textile manufacturing operations in Honduras and the Dominican Republic, we announced the restructuring of our Canadian manufacturing operations, which included the closure of our two remaining textile facilities in Montreal and our cutting facility in Bombay, New York, effective in the fourth quarter. We also announced the immediate closure of our two sewing facilities in Mexico, which had been supplied with fabric from our Canadian textile operations. Concurrent with the restructuring of the Canadian textile operations, we announced plans to relocate our corporate office, which is currently located in the same building as was the Montreal knitting facility, into leased premises in the Montreal area. In May 2007, consistent with our strategy to consolidate our sock production at our new integrated facility in Honduras, we announced the closure of two sock facilities in Mount Airy, North Carolina.

In fiscal 2007, we began production at a new integrated manufacturing facility in Rio Nance, Honduras for the large-scale production of socks and we expect to ramp up this facility to full capacity by the third quarter of fiscal 2008. In August 2007, we announced plans for a second sock facility to support our projected continuing growth in sales, which is expected to be constructed and ramped up over twenty-four months.

We also began production, in the second half of fiscal 2007, at a new large-scale integrated textile manufacturing facility for the production of activewear in Rio Nance, Honduras, which we expect to fully ramp up by the third quarter of fiscal 2008.

Distribution

In fiscal 2007, we completed the consolidation of Kentucky Derby's distribution facilities into our retail distribution centre located in Martinsville, Virginia. This new distribution centre supports our retail distribution for all product-lines. Our distribution centre in Eden, North Carolina continues to be dedicated to supporting our customers in the wholesale distribution channel. During fiscal 2007, we expanded our distribution facilities by adding a distribution centre in our Caribbean Basin hub to facilitate and service certain of our international markets more efficiently.

In addition, in the fourth quarter, we opened a new third-party distribution centre in Shenzhen, China to service customers in China and the Asia Pacific region.

Stock Split

On May 2, 2007, 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 18, 2007. The Common Shares commenced trading on a post-split basis on May 16, 2007 on the Toronto Stock Exchange and on May 28, 2007 on the New York Stock Exchange, in accordance with the respective requirements of these exchanges.

FLA Accreditation

In June 2007, the Fair Labor Association (the "FLA"), a leading labour rights organization, accorded us accreditation status on our labour compliance program following an extensive three-year review of our compliance with its workplace code of conduct requirements. Since its inception in 1999, the FLA has only accredited ten labour compliance programs of various companies worldwide, the majority of which are consumer apparel brands that outsource their manufacturing. We are the first vertically-integrated manufacturer of basic activewear apparel to receive this accreditation, which is the FLA's most advanced recognition of a company's labour compliance program.

2.2 Developments in Fiscal 2006

- *Retail Market Initiative*: We expanded our product-line of existing undecorated activewear products for sale to U.S. and Canadian regional retailers to include underwear and basic athletic socks. In July 2006, we acquired 100% of the common shares of Kentucky Derby, a U.S. sock manufacturer based in Hopkinsville, Kentucky, for a total purchase price of $20.4 million.

- *Operations Restructuring*: We announced the restructuring of our Canadian and U.S. textile manufacturing operations, which included the closure of our textile manufacturing facility in Valleyfield, Québec and the reduction in the operations of our knitting facility in Montreal, Québec and in our cutting facility in Bombay, New York. We also announced the closure and downsizing of sock manufacturing capacity located in North Carolina and Virginia to take effect during the first half of fiscal 2007.

- *Textile and Sock Manufacturing*: We completed the construction of a building for a sock manufacturing facility in Rio Nance, Honduras, and began the construction of an integrated manufacturing facility for the production of activewear at the same site.

- *Sewing*: 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 building in Rivas, Nicaragua.

- *Distribution*: We added a new distribution centre in Choloma, Honduras to better serve our European customers, and two new third-party distribution centres located in Monterrey, Mexico and Mississauga, Ontario to better serve our Mexican and Canadian customers, respectively. In the fourth quarter, we announced the closure of our distribution centre located in Montreal, Québec effective October 2006. We also announced plans to relocate and consolidate Kentucky Derby's existing distribution centres, located at multiple sites in Danville, Virginia and Mount Airy, North Carolina, to a new 400,000 square foot retail distribution centre in Martinsville, Virginia.

2.3 Developments in Fiscal 2005

- *Initial Retail Market Initiative*: 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.

- *Yarn-Spinning*: We closed our Canadian yarn-spinning plants in Long Sault, Ontario and Montreal, Québec. Concurrent with the Canadian yarn-spinning plant closures, the yarn-spinning operations of CanAm Yarns, LLC ("CanAm"), our joint venture company with Frontier Spinning Mills, Inc. ("Frontier"), 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 and Sock Manufacturing*: 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 activewear, and one for the production of athletic socks.

- *Sewing*: We began production in three new sewing facilities located in Choloma, Honduras, Rivas, Nicaragua and Port-au-Prince, Haiti.

- *Distribution*: We completed a major expansion of our distribution centre in Eden, North Carolina.

- *Stock Split*: 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.

- *Share Structure*: 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 Subordinate Voting shares, effectively eliminating our dual class voting structure.

3. DESCRIPTION OF THE BUSINESS

3.1 Business Overview

Gildan is a vertically-integrated marketer and manufacturer of activewear, underwear and socks. The Corporation 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. As part of our growth strategy to sell our products into the mass-market retail channel in North America, in 2006, we expanded our product-line to include socks and underwear. We are now one of the leading suppliers of socks in the U.S. mass-market retail channel.

Over the past several years, we have significantly increased our sales and earnings. From fiscal 1993 through fiscal 2007, our sales have grown from $24.0 million to $964.4 million, representing a compounded annual growth rate of 30.2%.

Strategy and 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 continue to increase our market presence and establish our market leadership in the imprinted sportswear market. These are the same factors that management believes will support Gildan's success in building a consumer brand in the retail channel.

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.

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 2007, 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 market share in the fleece category, also reaching the leading market share position in this category in fiscal 2007. 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 penetrate 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 products, socks and underwear, which leverage our existing core competencies, successful business model and competitive strengths. Our goal is to continue to provide a value proposition, combining quality, service and competitive pricing. We intend to follow the same pricing strategy as in the wholesale market, by using our cost efficiencies to offer lower selling prices. Our main competitors in the retail channel for basic family apparel products are essentially the same as in the wholesale channel.

In fiscal 2006, we continued with our initial entry into the retail channel, concentrating at that time on regional retailers that we were able to service well with the production capacity that we had available. Our acquisition of Kentucky Derby in July 2006 provided us with enhanced distribution to major U.S. mass-market retailers. This allowed us to achieve our first national branded program for men's and boys' socks with a U.S. national retailer, for which shipments began in March 2007. In June 2007, we began shipments of a major private label sock program to a second U.S. mass-market retailer. On October 15, 2007, we completed the acquisition of Prewett, a large U.S. supplier of basic family socks to U.S. mass-market retailers. We expect that the acquisition of Prewett will further strengthen Gildan's positioning as a full-product supplier of socks, activewear and underwear for the retail channel. Furthermore, as we ramp up our major capacity expansion projects in Central America, we are increasingly better positioned to service large replenishment programs for major mass-market customers.

3. Pursue international growth opportunities

We expect to pursue further market penetration within our existing wholesale markets in Europe, Mexico and Australia, in addition to pursuing further international market expansion opportunities. During fiscal 2007, we achieved significant unit volume growth in Europe and other international markets. We continue to see opportunities for growth in Europe as additional production capacity comes on stream from the ramp up of our major capacity expansion projects in Central America and as we expand our product-lines for the European market. In Mexico, we continued to expand our presence in the wholesale imprinted sportswear market and now service several distributors. In fiscal 2007, we began to sell our products through a distributor in Japan, which services the wholesale channel and is also selling Gildan branded underwear and activewear products in the retail channel. In addition, we established a distributor in China to position Gildan to service both the imprinted and retail markets.

4. Reinvest free cash flow to pursue selective complementary acquisitions

We will seek opportunities to reinvest our free cash flow in organic capacity expansion and evaluate further selective acquisitions, which could complement our organic strategic growth opportunities in the U.S. retail market and in international markets. We will seek opportunities where we believe we can lever our core competencies and which position us in markets that offer the potential for superior economic returns.

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 our management's discussion and analysis on pages 38 to 42 of the 2007 Annual Report.

Our Products

We specialize in marketing and large-scale manufacturing of basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume automatic replenishment programs.

We sell activewear, namely T-shirts, fleece and sport shirts, in large quantities to wholesale distributors as undecorated "blanks", which are subsequently decorated by screenprinters with designs and logos. We sell our products to wholesale distributors under the Gildan brand. Consumers ultimately purchase the Corporation's products in venues such as sports, entertainment and corporate events, and travel and tourism destinations. The Corporation's products are also utilized for work uniforms and other end-uses to convey individual, group and team identity.

In the retail channel, we have complemented our activewear product-line with a variety of styles of socks and men's and boys' underwear. We sell these products to mass-market and regional retailers in North America under the Gildan brand and under various retailer private label programs.

Activewear, which includes underwear, represented 86% of our sales in fiscal 2007 and 96% of our sales in fiscal 2006. Socks represented 14% of our sales in fiscal 2007 and 4% of our sales in fiscal 2006.

For the first nine months of calendar 2007, we achieved the leading overall market share in the U.S. wholesale distributor network of 47.8%. In calendar 2006, our overall market share in this network was 42.9%. All U.S. market share data is based on the S.T.A.R.S. Report.

Market Overview

Our target market for activewear, socks and underwear is characterized by low fashion risk compared to many other apparel markets, since our 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 Gildan.

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 family apparel for the wholesale and retail channels, such as the Hanes, Fruit of the Loom and Jerzees brands. 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, which do not have integrated manufacturing operations and source products from contractors in Asia. In addition, we face the threat of increasing global competition. In particular, the U.S. sock industry is subject to global competition, including significant imports from Asia.

We believe that growth for 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 preshrunk fabrics, improved fabric weight, blends and construction, as well as an increased range of colours and styles, have provided consumers with superior products at lower prices.

We believe that providing a superior value proposition predicated on reliable product quality and comfort, combined with efficient customer service and competitive pricing, will continue to be key drivers of success in both the wholesale and retail channels.

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. This concentration is not unusual in the mass-market retail channel.

The continued consolidation of the number of suppliers by retailers looking for the convenience of a full-line supplier of a product category for the entire family could create growth opportunities for our products.

Marketing and Sales

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 competitive strategy in the retail channel is based on delivering consistent, reliable product quality to our customers at competitive prices.

Customers

In fiscal 2007, we sold our products in the United States, Canada and Europe and other international markets, which accounted for 88.4%, 5.5% and 6.1% 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 2007 Annual Report, which is incorporated herein by reference.

Our customer base is composed of a relatively small number of significant customers. We currently sell our products to approximately 200 customers. In fiscal 2007, our largest customer accounted for 23.1% of total sales, and our top ten customers accounted for 62.8% of total sales.

The large majority of total sales in fiscal 2007 continued to be made through our wholesale distributors. Although we have long-term ongoing relationships with many of our wholesale distributor customers, our contracts with our customers do not require them to purchase a minimum quantity of our products. Instead, we ascertain their projected requirements and then plan our production and marketing strategy accordingly.

Our Manufacturing and Distribution Facilities

Textile and Sock Manufacturing

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. Our largest manufacturing hub in Central America includes our first integrated knitting, bleaching, dyeing, finishing and cutting facility in Rio Nance, Honduras, which became operational in 2002. In addition, during 2007, we commenced production at our new state-of-the-art integrated sock manufacturing facility and at our new integrated textile facility for the production of activewear, both in Rio Nance, Honduras. We expect to ramp up our sock and activewear facilities to full capacity by the third quarter of fiscal 2008. In August 2007, we announced plans for a second sock facility to support our projected continuing growth in sales, which is expected to be constructed and ramped up over twenty-four months. In addition, we are also evaluating the timing and geographical location for future textile capacity expansion to support our ongoing growth initiatives in the U.S. mass-market retail and international markets.

We also have established a vertically-integrated Caribbean Basin manufacturing hub with a textile facility for the production of activewear in Bella Vista, Dominican Republic, which began commercial operations in fiscal 2005 and is currently running at a comparable scale of production to our mature textile facility in Honduras.

Our land and infrastructure in Central America and the Caribbean Basin can accommodate further capacity expansion on the same sites.

During the fourth quarter of fiscal 2007, we closed our remaining textile facilities in Montreal, Québec, and our cutting facility in Bombay, New York. In addition, we closed our two sewing facilities in Mexico in March 2007, which had been supplied with fabric from our Canadian textile operations. As a result, all of our manufacturing for T-shirts, fleece, sport shirts and underwear has been consolidated into our vertically-integrated manufacturing hubs in Central America and the Caribbean Basin, where we have invested and continue to invest in major capacity expansion projects, as described above.

With the acquisition of Kentucky Derby in fiscal 2006, we now operate a sock manufacturing facility in Hillsville, Virginia. Following the Prewett acquisition in October 2007, we also operate sock manufacturing facilities in Alabama and a sock finishing facility in Honduras.

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.

Sewing

We conduct our sewing operations primarily through four owned facilities in Honduras, one owned facility in Haiti and two owned facilities in Nicaragua. In addition to these seven sewing facilities, we supplement our production by using third-party contractors, primarily in Haiti.

Distribution

We distribute our products to wholesale customers in the United States from a company-owned distribution centre in Eden, North Carolina as well as from a distribution centre operated by a third party in California. 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 fiscal 2007, we completed the consolidation of Kentucky Derby's distribution facilities into a new retail distribution centre located in Martinsville, Virginia. This distribution centre is dedicated to supporting our retail distribution for all of our product-lines. Our existing distribution centre in Eden, North Carolina continues to be fully dedicated to supporting the requirements of our customers in the wholesale distribution channel.

Our Canadian wholesale and retail customers are serviced from a third-party distribution centre located in Mississauga, Ontario. Customers in Europe are serviced from distribution centres operated by third parties in Meer, Belgium and Manchester, United Kingdom and, since the fourth quarter of fiscal 2006, from our distribution centre in Choloma, Honduras. Customers in Australia and New Zealand are serviced with full container shipments from our Eden, North Carolina distribution centre. Our Mexican customers are serviced from a third-party distribution centre located in Tultitlan, Mexico and, in the fourth quarter of fiscal 2007, a new third-party distribution centre was opened in Shenzhen, China to support sales in China and Asia Pacific.

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 under futures contracts as deemed appropriate by management.

During fiscal 2007, all of our yarn requirements for the production of our product-lines were met by our long-term supply agreements with third-party suppliers, 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 third-party 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 adding new functionality in the areas of Supply Chain Planning, Demand Forecasting and Business Intelligence. Due to our increasing dependence on the availability of our computer systems to support our operations, we plan to continue, in fiscal 2008, to implement initiatives to enhance our information technology ("IT") processes and infrastructure based on the Information Technology Infrastructure Library, 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 fleece is typically highest, as a result of cooler weather, in the third and fourth quarters 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 cooler weather, the need to support requirements for the back-to-school period and the peak retail selling during the Christmas holiday season.

Trade and Regulatory Environment

Although the textile and apparel industry worldwide has historically been the subject of significant protection, in recent years, trade liberalization, through the enactment of free trade agreements and trade preference programs, has diminished this protection. For instance, Chinese originating textiles and apparel products are expected to be granted unrestricted access to the U.S. market as of January 1, 2009. Our increasingly globalized production and sourcing as well as our increased global market coverage has allowed us to leverage the benefits of the international regulatory climate by shifting our manufacturing capabilities to strategic locations.

United States

There exist a number of regional trade agreements and programs, such as the North American Free Trade Agreement ("NAFTA"), the Caribbean Basin Trade Partnership Act ("CBTPA"), the Dominican Republic-Central America-United States Free Trade Agreement ("CAFTA-DR") and the Haitian Hemispheric Opportunity through Partnership Encouragement Act ("HOPE") which allow qualifying textiles and apparel from participating countries duty-free access to developed countries' markets. Two of the newest programs, CAFTA-DR and HOPE, were adopted to strengthen and develop economic relations among countries which are party to the agreement. In addition, the above-mentioned international trade legislation contains provisions that may apply tariffs, quotas and/or safeguards, as necessary. Specifically, CAFTA-DR provides for the application of safeguards in the form of reinstatement of normal duties if increased imports cause or threaten to cause substantial injury to a domestic industry. The United States is considering such a safeguard against socks imported from Honduras, which, if enacted, could affect our imports of socks from our integrated Honduran sock facility. Under the current legislation, a safeguard under CAFTA-DR may be imposed for a period of up to three years and not extending beyond March 31, 2011. While we believe that there is no basis to support a conclusion that sock imports from Honduras have caused or threatened to cause serious damage to the U.S. domestic sock industry, there can be no assurance that the United States will not make such a determination nor can there be any assurances that safeguards under CAFTA-DR or other developments in trade legislation would not adversely impact our business.

Canada

Textile and apparel imports into Canada benefit from both free trade agreements and trade preference programs, such as NAFTA and the Canada's Least Developed Countries ("LDC") initiative, which provides trade benefits to 48 least developed countries. As such, apparel products originating from Mexico and LDC member countries are eligible for import into Canada duty-free and quota-free should the rules of origin provided in such trade agreements and trade preference programs be met.

Mexico

Imports into the Mexican market may qualify for trade preferences from various free trade agreements such as NAFTA, the Mexico-Nicaragua Free Trade Agreement, and the Mexico-Northern Triangle Regional Trade Agreement which includes El Salvador, Guatemala and Honduras as member countries.

European Union

In addition to free trade arrangements among the individual countries within the European Union, the European Union also has preferential trade agreements with other European countries and with countries outside of Europe, such as the free trade agreement between the European Union and Mexico. Furthermore, the European Union also enacted a Generalized System of Preferences and an Africa-Caribbean-Pacific program that allow duty-free and quota-free entry into the European Union of qualifying articles, including apparel, from developing countries and least developed countries such as Honduras, Nicaragua and Haiti.

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 adopted legislation similar to the legislation in force in Canada to allow duty-free and quota-free entry of textiles and apparel articles from least developed countries, subject to meeting Australia's specific set of rules of origin.

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.

Labour Practices

We offer positive and beneficial working conditions for all employees. We have implemented various mechanisms to monitor compliance with local labour laws, as well as with internationally recognized labour standards. 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 company-owned sewing facilities in Honduras and for our two sewing facilities in Nicaragua. We also actively encourage and are in the process of contractually obligating all of our third-party contractors to follow prescribed employment policies as well as our Code of Conduct. By the end of fiscal 2007, 90% of our third-party sewing contractors have contractually undertaken to abide by our social compliance standards and 66% have obtained WRAP certification.

In November 2003, we joined the FLA as a "Participating Company". The FLA is internationally recognized and respected as a non-profit organization whose goal is to promote adherence to international labour standards and to improve working conditions for employees worldwide. In June 2007, the FLA accorded accreditation status to our labour compliance program.

Until 2007, the majority of our social compliance monitoring was performed by external third-party auditors. With the appointment of an internationally respected Director of Social Compliance in 2006 and of two internal auditors in 2007, we have successfully begun internal monitoring audits that complement the external independent audits.

3.2 Risk Factors

Please see the "Risks and Uncertainties" section of our management's discussion and analysis on pages 38 to 42 of the 2007 Annual Report.

3.3 Employees

As at October 1, 2007, we employed 15,372 full-time employees worldwide. 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, and have not in the past three years, paid dividends because we have chosen to 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 requires 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 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 entitles the holder thereof to one (1) vote.

6. MARKET FOR SECURITIES

The Common Shares 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 $0.88 (Cdn$1.29), 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. We delisted such shares from AMEX on August 31, 1999. On September 1, 1999, the Class A Subordinate Voting shares (now the Common Shares) commenced trading on the NYSE. 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 September 30, 2007 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 2006	30.00	26.75	6,905,600	October 2006	26.35	23.88	6,003,400
November 2006	31.87	27.65	6,557,800	November 2006	27.90	24.45	5,075,200
December 2006	31.50	26.75	9,576,400	December 2006	27.58	23.23	6,480,400
January 2007	30.98	27.00	9,213,200	January 2007	26.38	23.11	9,420,200
February 2007	31.56	28.97	5,723,600	February 2007	27.00	24.60	6,981,000
March 2007	35.42	29.33	7,902,200	March 2007	30.39	24.94	8,897,800
April 2007	37.07	33.83	7,272,200	April 2007	32.82	29.29	8,967,600
May 2007	39.91	33.40	9,701,300	May 2007	36.59	30.22	13,287,300
June 2007	40.43	35.67	4,596,100	June 2007	37.68	33.59	5,982,700
July 2007	37.85	34.26	6,070,300	July 2007	36.01	32.52	7,115,600
August 2007	38.21	31.44	7,035,900	August 2007	36.21	29.32	11,978,600
September 2007	39.76	32.05	7,551,600	September 2007	39.99	31.10	7,860,400

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	Principal Occupation	Director Since
Robert M. Baylis (2)(3)(4) Darien, Connecticut, United States	Corporate Director	February 1999
Glenn J. Chamandy Westmount, Québec, Canada	President and Chief Executive Officer of the Corporation	May 1984
William D. Anderson (1)(3) Toronto, Ontario, Canada	Corporate Director	June 2006
Sheila O'Brien (2)(3) Calgary, Alberta, Canada	Corporate Director and Business Advisor	June 2005
Pierre Robitaille (1)(2) St-Lambert, Québec, Canada	Business Advisor and Corporate Director	February 2003
Richard P. Strubel (1)(3) Chicago, Illinois, United States	Corporate Director	February 1999
Gonzalo F. Valdes-Fauli (1)(2) Key Biscayne, Florida, United States	Chairman of BroadSpan Capital LLC (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	Position Held Within the Corporation and Principal Occupation
Glenn J. Chamandy (1) (2) Westmount, Québec, Canada	President, Chief Executive Officer and Director
Laurence G. Sellyn (1) (2) Beaconsfield, Québec, Canada	Executive Vice-President, Chief Financial and Administrative Officer
Michael R. Hoffman (1) St. James, Barbados	President, Gildan Activewear SRL
Georges Sam Yu Sum (1) (2) Hampstead, Québec, Canada	Executive Vice-President, Operations
Benito Masi (1) (2) Laval, Québec, Canada	Executive Vice-President, Manufacturing
Cam Gentile (1) (2) Hudson, Québec, Canada	Executive Vice-President, Organizational Development and Change Management
Claude Guay (1) (2) Westmount, Québec, Canada	Executive Vice-President, Chief Information Officer
Eric R. Lehman (1) (2) Montreal, Québec, Canada	Executive Vice-President, Supply Chain

(1) Executive Management Committee.

(2) Officer of the Corporation.

Glenn J. Chamandy is one of the founders of the Corporation and has devoted his business career to leading the development of Gildan into an industry leader. 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) and PartnerRe Ltd. (multi-line reinsurance provider). He is also a trustee of the Rubin Museum of Art in New York City, a trustee 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 company) 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 Princeton University and 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 previously, from 2001 to 2007, 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, 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 firm) and MDS Inc. (global life sciences company). 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 1 Investments Ltd., a private investment company, and is also a business advisor 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 also serves on the boards of directors of MaRS (Medical and Related Sciences) (Toronto-based biotechnology accelerator), Skye Resources Inc. (nickel mining company) and Advantage Energy Income Fund (oil and gas royalty trust). In addition to her corporate career, she has acted as special advisor to the president 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 (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 board of directors of Blue Cross Shield of Florida (health insurance provider), where he is Lead Chairman. Mr. Valdes-Fauli also served as Chairman of the Board of Republic Bank of Dominican Republic (financial services provider) until November 2007. He is also Trustee Emeritus of the University of Miami and Spring Hill College in Mobile, Alabama. 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.

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 of 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.

As at December 19, 2007, the executive officers and directors of the Corporation as a group own 7,625,196 Common Shares, which represents 6.3% 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 are relevant to the performance of their responsibilities as members of the Audit and Finance Committee are 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. Over the course of his career, Mr. Robitaille 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 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 also serves on the audit committees 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 he serves as the Chairman of the Audit Committee of the University of Chicago. Mr. Strubel has more than twenty-five years of experience in executive positions overseeing large operating corporations. Mr. Strubel 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 served as Chairman of the Board of Republic Bank of Dominican Republic until November 2007. Mr. Valdes-Fauli 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 ("KPMG"), the Corporation's external auditor, for various audit-related and non-audit services rendered for the fiscal years 2007 and 2006 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$1,214,402 for fiscal 2007 and Cdn$1,196,100 for fiscal 2006. The audit fees include fees relating to KPMG's audit of the effectiveness of the Corporation's internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were Cdn$112,800 for fiscal 2007 and Cdn$94,025 for fiscal 2006. These services consisted of miscellaneous assurance services.

Tax Fees — The aggregate tax fees billed by KPMG were Cdn$935,066 for fiscal 2007 and Cdn$322,785 for fiscal 2006. 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 nil for fiscal 2007 and Cdn$169,860 for fiscal 2006 for services associated with financial due diligence.

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, N.A., having an office in Golden, Colorado.

11. MATERIAL CONTRACTS

Other than the agreements entered into the normal course of business, the only material agreements entered into in fiscal 2007, or before fiscal 2007 and which are still in force are the following:

1. The Agreement and Plan of Merger dated September 17, 2007 among Gildan, Prewett, Prewett's shareholders and two wholly-owned subsidiaries of Gildan, Gildan USA Inc. and Swing Merger Sub, Inc. This agreement was filed through SEDAR on September 27, 2007.

2. The Shareholder Rights Plan Agreement approved by the Board of Directors on December 1, 2004 and subsequently ratified by the Corporation's shareholders on February 2, 2005. This agreement was filed through SEDAR on December 2, 2004.

12. INTERESTS OF EXPERTS

KPMG, the external auditors of the Corporation, reported on the fiscal 2007 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 conditional or 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 38 to 42 of the 2007 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, credit risks, commodity prices and other factors over which we have no control;
- the impact of economic, social 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, labour and other laws and regulations;
- our ability to implement our strategies and plans;
- our ability to complete and successfully integrate acquisitions;
- our reliance on a small number of significant customers;
- changes in consumer preferences, customer demand for our products and our ability to maintain customer relationships and grow our business;
- our customers do not commit to minimum quantity purchases the seasonality of our business;
- our ability to attract and retain key personnel;
- high reliance on computerized information systems;
- changes in accounting policies and estimates;
- and disruption to manufacturing and distribution activities due to labour disruptions, bad 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, unless otherwise stated, 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 2007 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 and annual earnings press release, 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 and quarterly earnings press release, prior to their release, filing and distribution;

- reviewing, with management and external auditors, the financial information contained in prospectuses, offering memoranda, Annual Information Forms, Management Proxy Circulars, 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 (including earnings guidance and other material forward-looking information) provided from time to time to analysts, investors, rating agencies and other stakeholders;

- 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, such as annual reports and investor presentations, 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;

- overseeing the procedures to review management certifications filed with applicable securities regulators;

- 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;

- overseeing the procedures to monitor the public disclosure of information by the Corporation;

- reviewing at least annually the Corporation's disclosure policy;

- 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.

(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 over financial reporting;

- reviewing insurance coverage (annually and as may otherwise be appropriate);
- overseeing the processes in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities;
- reviewing policies and their parameters regarding such items as interest rate, foreign exchange risks, commodity purchases and any similar transactions where the Corporation enters into derivatives contracts;
- assisting the Board with the oversight of the Corporation's compliance with, and reviewing the Corporation's processes for complying with, applicable legal and regulatory requirements;
- overseeing the confidential, anonymous 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 head of internal audit has a functional reporting relationship with the Audit Committee;
- overseeing the access by internal auditors 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 the ongoing accountability of the internal audit function 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;
- overseeing the direct reporting and accountability of the external auditors 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) critical accounting policies and practices used, (ii) 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) other material written communications between the Corporation and the external auditors (including any disagreement with management and the resolution thereof);

- reviewing at least annually, representations by the external auditors describing their internal quality-control procedures, as well as significant results arising from regulatory and professional quality-control examinations;

- reviewing at least annually, the external auditors' representations as to 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;

- overseeing the rotation of lead, concurring and other audit partners, to the extent required by Canadian and U.S. securities law standards.

(e) Reviewing financings

- reviewing the adequacy of the Corporation's financing, including terms and conditions of all new material financing arrangements.

(f) Evaluating the performance of the Audit Committee

- overseeing the existence of processes 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 meets separately with the Audit Committee, without management, at least once a quarter, during which the Corporation's financial statements and control environment must be discussed; the Audit Committee also meets separately with management at least once a quarter, and more frequently as required.

The Audit Committee reports annually to the Board on the adequacy of its mandate. In addition, the chair of the Audit Committee reports 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 September 30, 2007, 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.

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 the effectiveness of our internal control over financial reporting as of September 30, 2007. The attestation report is included on page 48 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.

There have been no changes during fiscal year 2007 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our 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 2007. 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$1,214,402 for fiscal 2007 and CDN$1,196,100 for fiscal 2006. The audit fees include fees relating to KPMG's audit of the effectiveness of the Registrant's internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were CDN$112,800 for fiscal 2007 and CDN$94,025 for fiscal 2006. These services consisted of miscellaneous assurance services.

Tax Fees — The aggregate tax fees billed by KPMG were CDN$935,066 for fiscal 2007 and CDN$322,785 for fiscal 2006. 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 nil for fiscal 2007 and CDN$169,860 for fiscal 2006 for services associated with financial due diligence.

All fees billed to the Registrant by KPMG in fiscal 2007 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 34 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 $8.1 million at September 30, 2007.

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 38 (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 September 30, 2007 and October 1, 2006, net earnings included recognized gains relating to derivative financial instruments of $1.9 million and $4.6 million, respectively.

The following table summarizes the Registrant's commitments to buy and sell foreign currencies as at September 30, 2007 and October 1, 2006:

	Notional Amount	Exchange Rate	Maturity	Notional US dollar Equivalent
	(in thousands)			(in thousands)
2007:				
Buy contracts:				
Foreign exchange contracts:	€4,425	1.3390 to 1.4222	Oct. 2007 - Dec. 2007	$6,025
Sell contracts:				
Foreign exchange contracts:	€13,980	1.3410 to 1.3899	Oct. 2007 - Oct. 2008	$19,096
	£10,801	1.9640 to 2.0331	Oct. 2007 - Oct. 2008	$21,501
	CA$3,800	0.9945	Oct. 2007	$3,821
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

The fair value of the forward foreign exchange contracts, based on quoted market values, was $(0.8) million as at September 30, 2007 and $0.5 million as at October 1, 2006.

K. Tabular Disclosure of Contractual Obligations

See page 34 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 19, 2007

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 September 30, 2007
99.2	Audited comparative consolidated financial statements of the Registrant as at and for the year ended September 30, 2007
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 10, 2007 (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 19, 2007)
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

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"WE CONTINUE TO HAVE SIGNIFICANT UNUSED DEBT FINANCING CAPACITY AND FINANCING FLEXIBILITY TO INVEST IN CAPITAL EXPENDITURES FOR FURTHER CAPACITY EXPANSION... AS WELL AS TO PURSUE OTHER POTENTIAL ACQUISITION OPPORTUNITIES."

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

MD&A

This Management's discussion and analysis (MD&A) comments on Gildan's operations, performance and financial condition as at and for the years ended September 30, 2007 and October 1, 2006, 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 14, 2007. 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 25 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 2007 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 44.

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. As part of our growth strategy to sell our products into the mass-market retail channel in North America, in 2006, we expanded our product-line to include socks and underwear. We are now one of the leading suppliers of socks in the U.S. mass-market retail channel.

Our Products

We specialize in marketing and large-scale manufacturing of basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume automatic replenishment programs.

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

In the retail channel, we have complemented our activewear product-line with a variety of styles of socks and men's and boys' underwear. We sell these products to mass-market and regional retailers in North America under the Gildan brand and under various retailer private label programs.

Our Manufacturing and Distribution Facilities

Textile and Sock Manufacturing

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. Our largest manufacturing hub in Central America includes our first integrated knitting, bleaching, dyeing, finishing and cutting facility in Rio Nance, Honduras, which became operational in 2002. In addition, during 2007, we commenced production at our new state-of-the-art integrated sock manufacturing facility and at our new integrated textile facility for the production of activewear, both in Rio Nance, Honduras. We expect to ramp up our sock and activewear facilities to full capacity by the third quarter of fiscal 2008. In August 2007, we announced plans for a second sock facility to support our projected continuing growth in sales, which is expected to be constructed and ramped up over twenty-four months. In addition, we are also evaluating the timing and geographical location for future textile capacity expansion, to support our ongoing growth initiatives in the U.S. mass-market retail and international markets.

We also have established a vertically-integrated Caribbean Basin manufacturing hub with a textile facility for the production of activewear in Bella Vista, Dominican Republic, which began commercial operations in fiscal 2005 and is currently running at a comparable scale of production to our mature textile facility in Honduras.

Our land and infrastructure in Central America and the Caribbean Basin can accommodate further capacity expansion on the same sites.

During the fourth quarter of the 2007 fiscal year, we closed our remaining textile facilities in Montreal, Canada, and our cutting facility in Bombay, New York. In addition, we closed our two sewing facilities in Mexico in March 2007, which had been supplied with fabric from our Canadian textile operations. As a result, all of our manufacturing for T-shirts, fleece, sport shirts and underwear has been consolidated into our vertically-integrated manufacturing hubs in Central America and the Caribbean Basin, where we have invested and continue to invest in major capacity expansion projects, as described above.

In addition to our integrated sock manufacturing facility located in our Central America manufacturing hub, we have a U.S. sock manufacturing facility in Hillsville, Virginia. Shortly after the end of our 2007 fiscal year, on October 15, 2007, we completed the acquisition of all of the capital stock of V.I. Prewett & Son, Inc. (Prewett), a large U.S. supplier of basic family socks to U.S. mass-market retailers, with sock manufacturing facilities in Fort Payne, Alabama.

Yarn-Spinning

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.

Sewing

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

Distribution

We distribute our products for the wholesale imprinted sports-wear market in the U.S. primarily out of our company-owned distribution centre in Eden, North Carolina, and also use third-party warehouses in the western United States, Canada, Mexico, Europe and Asia to service our customers in these markets. We also operate distribution centres in Martinsville, Virginia and Fort Payne, Alabama dedicated to servicing the mass-market retail channel. We are also developing facilities to enhance our ability to provide direct shipments from our Central American and Caribbean Basin manufacturing hubs.

Corporate Head Office and Employees

Our corporate head office is located in Montreal, Canada and as of the end of this fiscal year we employed more than 15,000 full-time employees worldwide.

Market Overview

Our target market for activewear, socks and underwear is characterized by low fashion risk compared to many other apparel markets, since our 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 Gildan.

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 family apparel for the wholesale and retail channels, such as the Hanes, Fruit of the Loom, and Jerzees brands. 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, which do not have integrated manufacturing operations and source products from contractors in Asia. In addition, we face the threat of increasing global competition. In particular, the U.S. sock industry is subject to global competition, including significant imports from Asia.

We believe that growth for 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, as well as an increased range of colours and styles have provided consumers with superior products at lower prices.

We believe that providing a superior value proposition predicated on reliable product quality and comfort, combined with efficient customer service and competitive pricing, will continue to be key drivers of success in both the wholesale and retail channels.

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. This concentration is not unusual in the mass-market retail channel.

The continued consolidation of the number of suppliers by retailers looking for the convenience of a full-line supplier of a product category for the entire family could create growth opportunities for our products.

STRATEGY AND 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 continue to increase our market presence and establish our market leadership in the imprinted sportswear market. These are the same factors that management believes will support Gildan's success in building a consumer brand in the retail channel.

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.

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 2007, we further increased our leading market share position in the U.S. wholesale distributor network in the T-shirt and sport shirt 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, also reaching the leading market share position in this category in fiscal 2007. 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 penetrate 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 products, socks and underwear, which leverage our existing core competencies, successful business model and competitive strengths. Our goal is to continue to provide a value proposition, combining quality, service and competitive pricing. We intend to follow the same pricing strategy as in the wholesale market, by using our cost efficiencies to offer lower selling prices. Our main competitors in the retail channel for basic family apparel products are essentially the same as in the wholesale channel.

In 2006, we continued with our initial entry into the retail channel, concentrating at that time on regional retailers which we were able to service well with the production capacity that we had available. Our acquisition of Kentucky Derby Hosiery Co., Inc. (Kentucky Derby) in July 2006 provided us with enhanced distribution to major U.S. mass-market retailers. This allowed us to achieve our first national branded program for men's and boys' socks with a U.S. national retailer, for which shipments began in March 2007. In June 2007, we began shipments of a major private label sock program to a second U.S. mass-market retailer. On October 15, 2007, we completed the acquisition of Prewett, a large U.S. supplier of basic family socks to U.S. mass-market retailers. We expect that the acquisition of Prewett will further strengthen Gildan's positioning as a full-product supplier of socks, activewear and underwear for the retail channel. As we ramp up our major capacity expansion projects in Central America, we are increasingly better positioned to service large replenishment programs for major mass-market customers.

3. Pursue international growth opportunities

We expect to pursue further market penetration within our existing wholesale markets in Europe, Mexico and Australia, in addition to pursuing further international market expansion opportunities. During fiscal 2007, we achieved significant unit volume growth in Europe and other international markets. We continue to see opportunities for growth in Europe, as additional production capacity comes on stream from the ramp up of our major capacity expansion projects in Central America and as we expand our product-lines for the European market. In Mexico, we continued to expand our presence in the wholesale imprinted sportswear market and now service several distributors. In fiscal 2007, we began to sell our products through a distributor in Japan, which services the wholesale channel and is also selling Gildan branded underwear and activewear products in the retail channel. In addition, we established a distributor in China to position Gildan to service both the imprinted and retail markets.

4. Reinvest free cash flow to pursue selective complementary acquisitions

We will seek opportunities to reinvest our free cash flow in organic capacity expansion and evaluate further selective acquisitions, which could complement our organic strategic growth opportunities in the U.S. retail market and in international markets. We will seek opportunities where we believe we can lever our core competencies and which position us in markets, which offer the potential for superior economic returns.

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 38.

OPERATING RESULTS

SELECTED ANNUAL INFORMATION

(in $ millions, except per share amounts)

	2007	2006	2005
Sales	**964.4**	773.2	653.9
Cost of sales	**655.3**	521.1	450.6
Gross profit	**309.1**	252.1	203.3
Selling, general and administrative expenses	**110.9**	84.4	73.8
Restructuring and other charges	**28.0**	20.4	11.8
	170.2	147.3	117.7
Depreciation and amortization	**38.8**	32.4	25.6
Interest, net	**4.9**	3.1	4.6
Non-controlling interest in income of consolidated joint venture	**1.3**	0.2	0.1
Earnings before income taxes	**125.2**	111.6	87.4
Income tax (recovery) expense	**(4.8)**	4.8	1.4
Net earnings	**130.0**	106.8	86.0
Basic EPS[(1)]	**1.08**	0.89	0.72
Diluted EPS[(1)]	**1.07**	0.88	0.72
Total assets	**874.5**	723.3	597.5
Total long-term liabilities[(2)]	**87.5**	47.1	64.1

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

(1) All earnings per share data reflect the effect of the stock splits as described on page 35.

(2) Includes long-term debt, future income taxes and non-controlling interest in consolidated joint venture.

Operating results for the year ended September 30, 2007, compared to the year ended October 1, 2006

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 indebtedness 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 42 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 Acquisitions

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 were consolidated with those of Gildan from the date of acquisition. Accordingly, our results of operations for fiscal 2007 include a full year of operations from Kentucky Derby and those for 2006 include the results of operations for one quarter 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.

Subsequent to the end of fiscal 2007, on October 15, 2007, the Company acquired 100% of the capital stock of Prewett, a large U.S. supplier of basic family socks to U.S. mass-market retailers. Prewett's corporate headquarters are located in Fort Payne, Alabama. The Company paid $125 million on closing, and also placed $10 million in escrow to provide for a further contingent increase in the purchase price of the acquisition. The funds were drawn under the Company's revolving long-term credit facility. The Company has not yet finalized the allocation of the purchase price for this acquisition. The results of operations of Prewett will be included in the Company's fiscal 2008 results, from the date of acquisition.

Sales

Sales for fiscal 2007 reached $964.4 million, up 24.7% from $773.2 million in fiscal 2006. The increase in sales was due to an increase of $108.2 million of sock sales for the year and an increase of 11.3% in unit sales volumes for our activewear products, combined with the impact of a higher-valued activewear product-mix, partially offset by an approximate 1.6% decline in activewear unit selling prices compared to last year. Fiscal 2007 included sock sales of $138.2 million pursuant to the acquisition of Kentucky Derby. This compared to the inclusion of only one fiscal quarter of sock sales in fiscal 2006, totalling $30.0 million.

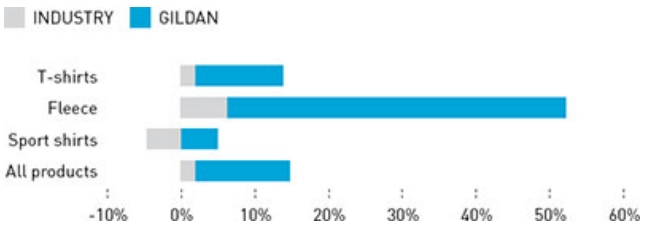
Market growth and share data presented for the U.S. wholesale distributor channel is based on the S.T.A.R.S. Report produced by ACNielsen Market Decisions. The following table summarizes the S.T.A.R.S. data for the nine months ended September 30, 2007:

	Nine months ended September 30, 2007 vs. 2006		Nine months ended September 30, 2007 vs. 2006	
	Unit Growth		Market Share	
	Gildan	Industry	Gildan	
All Products	**14.8%**	1.8%	**47.8%**	42.6%
T-shirts	**13.9%**	2.0%	**48.5%**	43.7%
Fleece	**52.4%**	6.3%	**43.7%**	30.8%
Sport shirts	**4.7%**	(4.5)%	**35.1%**	32.2%

The increase in activewear unit sales was primarily due to continuing market share penetration in all product categories in the U.S. distributor channel. Growth in overall industry shipments from U.S. distributors to screenprinters for the nine months ended September 30, 2007 was 1.8%. In the T-shirt category, sales volumes of Gildan T-shirts by U.S. distributors to screenprinters grew by 13.9% for the nine months ended September 30, 2007, and our leading share in this category increased to 48.5%. Unit volume growth of Gildan fleece products from U.S. distributors to screenprinters totaled 52.4%, significantly exceeding that of the industry and positioning Gildan as the market share leader in this category with a share of 43.7%. We increased our leading brand position in sport shirts by achieving a 35.1% market share, and sales volumes of Gildan sport shirts from U.S. distributors to screenprinters grew by 4.7%, compared with an overall decline of 4.5% for the industry.

U.S. INDUSTRY GROWTH

(based on unit sales (%))



We also maintained a leading market share position in Canada and experienced strong growth momentum in international markets. In particular, unit shipments for activewear in Europe increased 28.3% in fiscal 2007 compared to the same period last year. We continued to expand our distributor network in the wholesale distributor market in Mexico.

In March of this year, we began shipment of our first branded program for men's and boys' socks to a national retailer and in June we began shipment of a major private label sock program to a large national retailer.

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 reporting of gross margins may not be comparable to this metric as reported by other companies, since some entities include depreciation expense and distribution costs in cost of sales, whereas we report these items in depreciation and amortization and in selling, general and administrative expenses, respectively.

GROSS MARGINS

(%)



Gross profit for fiscal 2007 was $309.1 million, or 32.1% of sales, compared to $252.1 million, or 32.6% of sales during fiscal 2006. Higher gross margins for activewear were offset by the impact of lower margins from the sale of socks, which do not yet reflect the cost synergies from the optimization of our sock manufacturing operations. During fiscal 2007, our major new branded and

private label retail sock programs were priced based on the expected ramped-up cost structure for our new Honduran sock facility. However, a large proportion of socks for these programs was supplied from our higher-cost U.S. sock manufacturing facilities, which were closed in August 2007, as well as high-cost outside contractors. We expect to achieve improvement in gross margins for our sock product-line as we complete the ramp-up of our new sock manufacturing facility in Honduras during fiscal 2008. Excluding the impact of sock sales, gross margins for fiscal 2007 increased to 35.0%, compared to 33.2% in fiscal 2006. The improvement in gross margins was due primarily to manufacturing efficiencies as we continued to reduce our overall manufacturing costs, largely as a result of the ramp-up of the Dominican Republic textile facility and the rationalization of our Canadian textile manufacturing which was announced in September 2006. This improvement was partially offset by higher cotton costs compared to the low point in cotton prices in the first half of fiscal 2006 and the non-recurrence of a $1.1 million reversal of a litigation reserve which positively impacted gross margins in the second quarter 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 costs, professional fees, and other general and administrative expenses.

SG&A

(percentage of sales (%))



SG&A expenses were $111.0 million, or 11.5% of sales during fiscal 2007, compared to $84.4 million, or 10.9% of sales during fiscal 2006. The increase in SG&A expenses was due to the impact of the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006, higher distribution costs, and increased administration and information technology costs to support our continuing growth.

Restructuring and Other Charges

The following table summarizes the components of restructuring and other charges for the years ended September 30, 2007, October 1, 2006 and October 2, 2005:

(in $ millions)

	2007	2006	2005
Accelerated depreciation (a)	**3.5**	–	–
Net gain on disposal of assets held for sale (b)	**(1.5)**	–	–
Asset impairment loss and write-down of property, plant and equipment (a) (c)	**3.6**	15.1	6.8
Severance (a) (c)	**13.6**	2.1	3.7
Charge to comply with employment contract (d)	–	1.5	1.1
Other (a) (e)	**8.8**	1.7	0.2
	28.0	20.4	11.8

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

(a) In September 2006, we announced a restructuring of our Canadian manufacturing operations, involving the closure of our textile manufacturing facility in Valleyfield, Quebec and the downsizing of our Montreal, Quebec knitting facility, to take effect in December 2006. In fiscal 2006, we recorded severance charges of $2.1 million and other exit costs of $1.7 million relating to this restructuring. In addition, in September 2006, we recorded an impairment loss of $15.1 million on all Canadian textile and related manufacturing assets, and reduced our estimate of the remaining economic lives of these assets. The effect of this change in estimate, amounting to $3.5 million for fiscal 2007, was classified as accelerated depreciation and included in restructuring and other charges. We do not expect any further amounts to be incurred relating to accelerated depreciation in fiscal 2008.

(b) During the fourth quarter of fiscal 2006, we announced the relocation and consolidation of our U.S. retail distribution centres and the closure of our Canadian distribution centre in Montreal, Quebec, effective October 2006. We also announced the closure and downsizing of sock manufacturing capacity located in North Carolina and Virginia. As at September 30, 2007, assets held for sale include land, building and equipment at these locations. We ceased recording depreciation on these assets, which are recorded at the lower of their net book value or fair value less costs to sell. During fiscal 2007, we sold some of the assets related to these facilities and recorded a gain of $1.5 million.

(c) On March 27, 2007, we announced plans to close our two remaining textile facilities in Montreal, Quebec and our cutting facility in Bombay, New York, in the fourth quarter of fiscal 2007. In addition, we closed two sewing facilities in Mexico in March 2007, which had been supplied with fabric from Gildan's Canadian textile operations. In fiscal 2007, we recorded severance costs of $13.6 million, primarily relating to these plant closures. As at September 30, 2007, assets held for sale include land, building and equipment at these locations.

Concurrent with the restructuring of the Canadian textile operations, we also announced plans to relocate our corporate office, which is currently located in the same facility as was our Montreal knitting operations, into leased premises in the Montreal area. In March 2007, we recorded a $3.6 million asset impairment loss relating to our corporate head office facility.

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. The components of the charge primarily included a writedown to fair value of the fixed assets not transferred to CanAm of $6.8 million and employee severance of $3.7 million. The fixed assets not transferred to CanAm were classified as held for sale at their estimated fair values. Proceeds from these assets of $4.1 million and $5.0 million were received in fiscal 2005 and in fiscal 2006, respectively. Severance costs were paid in full in fiscal 2005.

We do not expect any further severance charges to be incurred relating to these closures in fiscal 2008.

(d) 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. Most of the payments under this contract are payable in Canadian dollars. No charges were incurred in fiscal 2007 relating to this employment contract.

(e) Other costs relate primarily to exit costs incurred in connection with the closures noted above, including carrying and dismantling costs associated with assets held for sale. Other costs also include temporary incremental duties as a result of the closure of our Mexican sewing facilities. We expect to incur additional carrying costs relating to the assets held for sale, which will be accounted for as restructuring and other charges as incurred during fiscal 2008, until all assets related to the closures are disposed of.

Depreciation and Interest Expenses

Depreciation and amortization expense of $38.8 million in fiscal 2007 increased $6.4 million compared to $32.4 million in fiscal 2006. The increase in depreciation expense in fiscal 2007 was due to continuing capital expenditures for organic capacity expansion.

Net interest expense amounted to $4.9 million during fiscal 2007, up $1.8 million from $3.1 million in fiscal 2006. The increase in net interest expense resulted from lower investment income and higher borrowings during fiscal 2007, mainly due to the use of funds for the acquisition of Kentucky Derby and higher capital expenditure spending during the year.

Income Taxes

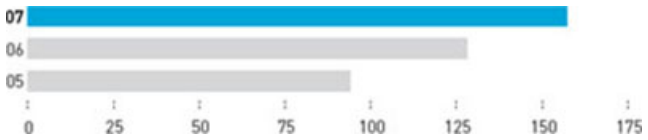
The Company recorded an income tax recovery of $4.8 million compared to an income tax expense of $4.8 million in fiscal 2006. The income tax recovery included the recognition of previously unrecognized tax benefits in the amount of $7.6 million relating to a prior taxation year, which became statute-barred during fiscal 2007. In addition, in the fourth quarter of fiscal 2007, we determined that the criteria for recognition of future tax assets in Kentucky Derby were met and we recorded an income tax recovery of $3.1 million relating to the current year's operating loss of Kentucky Derby. Excluding the impact of these income tax recoveries, as well as the impact of restructuring and other charges as discussed on page 27, the effective income tax rate for the year ended September 30, 2007 was 3.8%, consistent with a 3.9% effective income tax rate for fiscal 2006.

Net Earnings

Net earnings and earnings per share on a diluted basis (EPS) were $130.0 million and $1.07, respectively, for fiscal 2007 compared to net earnings of $106.8 million, or $0.88 per share on a diluted basis in fiscal 2006. Net earnings included restructuring and other charges of $27.3 million after tax, or $0.22 per share, in fiscal 2007 and $20.0 million after-tax, or $0.17 per share, in fiscal 2006. Excluding the impact of these restructuring and other charges, adjusted net earnings of $157.3 million, or $1.29 per share on a diluted basis, for fiscal 2007 reflected increases of 24.1% and 22.9%, respectively, compared to adjusted net earnings of $126.8 million, or $1.05 per share on a diluted basis in fiscal 2006. The increase in adjusted net earnings and adjusted diluted EPS resulted mainly from favourable manufacturing efficiencies, growth in activewear unit sales volumes and a higher-valued product mix for our activewear products, partially offset by lower unit selling prices for activewear, higher cotton costs, increased SG&A, depreciation and interest expenses, and a $0.03 per share dilutive impact for the year arising from the Kentucky Derby acquisition. In addition, net earnings for fiscal 2007 were positively affected by income tax recoveries in the third and fourth quarters totaling approximately $0.06 per share.

NET EARNINGS[1]

(in $ millions)



DILUTED EPS[1]

(in $)



(1) Adjusted net earnings and adjusted diluted EPS are before impact of restructuring and other charges. See page 42.

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

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 a decline in activewear unit selling prices compared to the prior year. In addition, sales in the fourth quarter of fiscal 2006 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%. The increase in unit sales volumes was due to continuing market share penetration, primarily in the T-shirt and fleece categories in the U.S. distributor channel and growth in overall industry unit shipments from U.S. distributors to screenprinters.

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 of fiscal 2006, 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.

Gross Profit

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 a 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 fiscal 2006. The positive variances in gross margin in fiscal 2006 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 the acquisition of Kentucky Derby.

Selling, General and Administrative Expenses

SG&A expenses were $84.4 million, or 10.9% of sales in fiscal 2006, compared to $73.8 million, or 11.3% of sales in fiscal 2005. The increase in SG&A expenses in fiscal 2006 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 of fiscal 2006, which accounted for $4.4 million of the year-over-year increase. The increase in SG&A expenses was partially offset by an adjustment to the reserve for doubtful accounts in the second quarter of fiscal 2006.

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 fiscal 2006 combined with higher interest rate returns compared to fiscal 2005.

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. 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 textile facilities outside of North America.

Net Earnings

Net earnings for fiscal 2006 were $106.8 million, or $0.88 per share on a diluted basis, up respectively 24.2% and 22.2% compared to net earnings of $86.0 million, or $0.72 per share on a diluted basis in fiscal 2005. Net earnings for fiscal 2006 included restructuring and other charges of $20.0 million after tax, or $0.17 per share. Net earnings for fiscal 2005 included restructuring and other charges of $7.9 million after tax, or $0.06 per share. Excluding the impact of these restructuring and other charges, adjusted net earnings of $126.8 million, or $1.05 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 $0.78 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.

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. Demand for fleece is typically highest, as a result of cooler weather, in the third and fourth quarters of each fiscal year. The seasonality of specific product-lines is consistent with that experienced by other companies in the activewear industry. During the year, we operate our mature facilities at full capacity in order to be cost efficient. Consequently, with the seasonal sales trends of our business, we experience fluctuations in our inventory levels throughout the year. For our sock products, demand is typically highest in the first and fourth quarters of each fiscal year, stimulated largely by the cooler weather, the need to support requirements for the back-to-school period and the 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.

Fourth Quarter Results

Sales in the fourth quarter amounted to $254.9 million, up 8.4% from $235.2 million in the fourth quarter of last year. The increase in sales revenues was due to an 8.9% increase in unit sales volumes for activewear and a 15.7% increase in unit sales volumes for socks, partially offset by a 1.4% reduction in unit selling prices for activewear compared to last year. The growth in activewear unit sales was primarily due to continuing market share penetration in all product categories in the U.S. distributor channel and a 2.4% increase in overall industry shipments from U.S. distributors to screenprinters for the quarter ended September 30, 2007. Growth in Gildan's activewear sales in international markets in the fourth quarter continued to be strong. Unit shipments in Europe increased by 20.9% compared with the fourth quarter of fiscal 2006.

Gross margins in the fourth quarter of fiscal 2007 were 32.2%, compared with 30.6% in the fourth quarter of fiscal 2006. Higher gross margins for activewear were partially offset by lower gross margins for socks. The increase in gross margins for activewear compared to last year was primarily due to further manufacturing efficiencies, partially offset by lower selling prices and higher cotton costs. The lower gross margins for socks, compared to the fourth quarter of last year, reflected the consumption of high-cost inventories from outside contractors which were used to support major new retail programs during the transition of manufacturing to Gildan's new sock factory in Honduras. Virtually all of the basic men's and boys' products for these sock programs, as well as certain basic mass-market programs supplied by Prewett, are now being manufactured at Gildan's new sock facility in Honduras.

(in $ millions, except per share amounts)

				2007				2006
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**254.9**	**291.6**	**232.1**	**185.8**	235.2	233.9	183.8	120.3
Net earnings	**40.9**	**52.4**	**21.1**	**15.6**	16.8	42.8	31.0	16.2
Basic EPS	**0.34**	**0.44**	**0.18**	**0.13**	0.14	0.36	0.26	0.14
Diluted EPS	**0.34**	**0.43**	**0.17**	**0.13**	0.14	0.35	0.26	0.13

SG&A expenses in the fourth quarter were $27.9 million, or 10.9% of sales, compared to $23.6 million, or 10.1% of sales, in the fourth quarter of last year. The increase in SG&A expenses was primarily due to higher distribution costs and increased administration and information technology costs to support our continuing growth.

Depreciation and amortization expenses amounted to $10.3 million for the fourth quarter of fiscal 2007, up $1.2 million from the same period last year mainly due to our continuing investments in capacity expansion.

We recorded a tax recovery of $4.6 million in the fourth quarter which included the recognition of an income tax benefit of $3.1 million relating to the fiscal 2007 full year operating loss incurred by Kentucky Derby. The tax benefit of operating losses may be recognized if there is sufficient assurance that losses will be utilized against expected future profits within the permitted time-frame. We also recognized tax benefits in the amount of $1.9 million relating to a prior taxation year, which became statute-barred during fiscal 2007.

We achieved fourth quarter net earnings of $40.9 million and diluted EPS of $0.34, after recording a restructuring charge in the quarter of $4.9 million after-tax or $0.04 per share, which was primarily related to the previously announced restructuring of our Canadian, Mexican and U.S. manufacturing facilities. Before reflecting the restructuring charge, adjusted net earnings and adjusted diluted EPS for the fourth quarter of fiscal 2007 amounted to $45.8 million or $0.38, up respectively 24.5% and 26.7% from adjusted net earnings of $36.8 million and adjusted diluted EPS of $0.30 in the fourth quarter of fiscal 2006. The growth in EPS compared to last year was due to higher gross margins for activewear, continuing growth in activewear unit sales volumes and the impact of income tax recoveries, partially offset by lower activewear selling prices, higher raw material costs and higher selling, general and administrative and depreciation expenses. The impact of the Kentucky Derby acquisition was $0.01 accretive to EPS in the fourth quarter, as the negative impact of consuming higher-cost inventories manufactured by external contractors was more than offset by the favourable impact of recognizing the tax benefit of Kentucky Derby losses for the full fiscal year.

FINANCIAL CONDITION

Accounts receivable of $206.1 million, as at September 30, 2007, reflected an increase of $40.2 million from accounts receivable of $165.9 million at the end of fiscal 2006. The increase was primarily due to an 8.4% increase in sales in the fourth quarter over the prior year and an increase in days sales outstanding in our trade receivables. The increase in days sales outstanding in our trade receivables resulted mainly from the increased proportion of fleece sales, which traditionally reflect extended payment terms in the late spring and summer months, in line with industry practice.

ACCOUNTS RECEIVABLE AND INVENTORY VS. SALES TRENDS

(in $ millions)



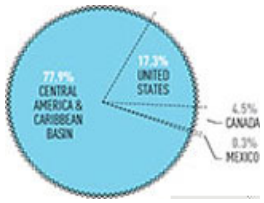
Inventories were $240.0 million at the end of fiscal 2007, representing an increase of $39.3 million from $200.7 million at the end of fiscal 2006. Higher inventories reflected our objective to maintain service levels to customers in both our wholesale and retail channels during the relocation of our manufacturing operations from Canada, U.S and Mexico to lower cost facilities in Central America and the Caribbean Basin. In addition, activewear inventories at the end of fiscal 2007 reflected new product lines and further geographical expansion.

Property, plant and equipment, which are net of accumulated depreciation, including asset impairment losses, amounted to $377.6 million at the end of fiscal 2007, up $74.9 million from last year. This increase was primarily due to net capital expenditures of $134.3 million, mainly for capacity expansion projects in Honduras, partially offset by depreciation and asset impairment losses of $43.9 million.

Intangible assets amounted to $2.0 million as at September 30, 2007 compared to $9.5 million at the end of fiscal 2006. Intangible assets represented the unamortized value of customer contracts and customer relationships included in the purchase price for Kentucky Derby in fiscal 2006. The decline in intangible assets was primarily due to a $7.3 million drawdown related to the recognition of the income tax benefit for pre-acquisition tax losses of Kentucky Derby. In the fourth quarter of fiscal 2007, we concluded that the benefit of these tax losses would likely be realized. Under Canadian GAAP, the recognition of income tax benefits from tax losses of an acquired company relating to taxation years prior to the acquisition date must first be applied to reduce the value of any intangible assets recognized at time of acquisition.

Total assets were $874.5 million on September 30, 2007, compared to $723.3 million at the end of the previous year. Working capital was $342.5 million compared to $261.0 million on October 1, 2006. The current ratio at the end of fiscal 2007 was 3.8 compared to 2.8 at the end of fiscal 2006.

PROPERTY, PLANT AND EQUIPMENT ASSETS BY GEOGRAPHY



LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash flows from operating activities in fiscal 2007 were $91.2 million, compared to $94.7 million for the previous year. This amount represents cash flows from operating earnings less amounts required to finance increases in accounts receivable and inventories. The net decline was mainly due to lower accounts payable and accrued liabilities. The decrease in accounts payable and accrued liabilities resulted primarily from the lower use of activewear outside-contractors and increased usage of Asian sock contractors which require shorter payment terms, as well as the payment of severance costs in fiscal 2007 related to restructuring activities announced in fiscal 2006. These factors offset the impact of higher cash operating earnings.

Cash flows used in investing activities were $134.7 million in fiscal 2007, compared to cash outflows of $96.1 million in fiscal 2006 that included $19.9 million related to the acquisition of Kentucky Derby in the fourth quarter of fiscal 2006. The increase in cash used in investing activities was mainly due to higher net capital expenditures. Net capital expenditures for fiscal 2007 were $134.3 million, up $54.1 million from fiscal 2006. The increase related to higher capital spending for our major textile and sock manufacturing expansion projects in Honduras, our new U.S. retail distribution centre, capital investments in our information technology systems and the expansion of our sewing capacity. The major capital investment projects for fiscal 2006 included the textile facility in the Dominican Republic, as well as the sock manufacturing facility and the textile facility for the production of activewear in Honduras.

We had negative free cash flow[(1)] of $43.5 million in fiscal 2007 compared to free cash flow of $18.5 million in fiscal 2006, mainly as a result of higher capital expenditures and working capital requirements, which more than offset higher cash operating earnings.

Cash flows from financing activities in fiscal 2007 amounted to $23.6 million, compared to cash outflows of $39.4 million in fiscal 2006. The difference was primarily the result of a $49.0 million drawdown on our credit facilities to support the acceleration of our capacity expansion plans and increased working capital requirements, and a lower reduction of bank indebtedness in fiscal 2007. During fiscal 2007, we repaid $23.2 million of long-term debt consisting of the final $17.5 million principal repayment of our Senior Notes and long-term debt repayments of our joint venture and our subsidiary Kentucky Derby. In addition, we repaid $3.5 million of bank indebtedness related to our joint venture. During fiscal 2006, the $23.9 million decrease in long-term debt included a $17.5 million principal repayment on our Senior Notes and a $4.0 million repayment of Kentucky Derby long-term debt. In addition, after acquiring Kentucky Derby, we repaid $17.3 million of its bank indebtedness in the fourth quarter of fiscal 2006.

We ended fiscal 2007 with cash and cash equivalents of $9.3 million compared to $29.0 million at the end of fiscal 2006. Total indebtedness as at September 30, 2007 amounted to $59.7 million compared to $37.3 million at the end of fiscal 2006. The $22.3 million year-over-year increase in total indebtedness was mainly as a result of the increase in long-term debt from the use of our long-term credit facility, partly offset by the final principal repayment of $17.5 million on our Senior Notes, which was made on May 31, 2007 and the repayment of our joint venture's bank indebtedness. As at the end of fiscal 2007, we had drawn $49.0 million from our revolving long-term credit facility.

(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 42-43.

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 business acquisitions. In fiscal 2007, we used our revolving long-term credit facility, in addition to our cash flow from operations, to finance capital expenditures due to the acceleration of our major capacity expansion projects in Honduras.

At the end of fiscal 2007, $49.0 million was drawn on our long-term credit facility. No amounts were drawn under this facility as at October 1, 2006. On October 30, 2007, we increased our long-term credit facility to $400 million, on an unsecured basis, which matures in June 2012. We believe our cash flow from operating activities together with our credit facilities will provide us with sufficient liquidity and capital resources in fiscal 2008 to fund our anticipated working capital and capital expenditure requirements. Furthermore, we continue to have significant unused debt financing capacity and financing flexibility to invest in capital expenditures for further capacity expansion in excess of our current plans, as well as to pursue other potential acquisition opportunities.

On October 15, 2007, we paid $125 million on closing of the Prewett acquisition and also placed $10 million in escrow to provide for a further contingent increase in the purchase price of the acquisition. The funds were drawn under our revolving long-term credit facility.

In order to be able to support our opportunities for continuing sales growth, we are continuing to invest in capacity expansion in Central America. For fiscal 2008, we are now projecting capital expenditures of approximately $140 million compared to our previous projection of $155 million announced in August 2007. The reduction in projected capital spending for fiscal 2008 is due to delays in the timing of a major energy cost reduction project in Honduras combined with below budget spending for the new activewear facility currently being ramped up to full capacity in Honduras. The projected capital investments for fiscal 2008 primarily include the expenditures to complete the ramp-up of the activewear and sock facilities in Honduras, the energy and chemical cost reduction projects, which we announced in May 2007, investments in our information technology systems and the construction of a second sock facility to be completed over twenty-four months.

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.

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 granted corporate guarantees, irrevocable standby letters of credit and surety bonds to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform its contractual obligations. As at September 30, 2007, the maximum potential liability under these guarantees was $13.6 million, of which $5.5 million was for surety bonds and $8.1 million was for corporate guarantees and standby letters of credit.

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 counterparties, 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.

(in thousands)		Notional amount	Exchange rate	Maturity		Notional U.S. equivalent
2007						
Buy contracts:						
Foreign exchange contracts	**€**	**4,425**	**1.3390 to 1.4222**	**October 2007 to December 2007**	**$**	**6,025**
Sell contracts:						
Foreign exchange contracts	**€**	**13,980**	**1.3410 to 1.3899**	**October 2007 to October 2008**	**$**	**19,096**
	£	**10,801**	**1.9640 to 2.0331**	**October 2007 to October 2008**		**21,501**
	CA$	**3,800**	**0.9945**	**October 2007**		**3,821**
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

For fiscal 2007 and 2006, net earnings included recognized gains relating to derivative financial instruments of $1.9 million and $4.6 million, respectively, which primarily related to hedging activities as discussed above.

The table above summarizes our commitments to buy and sell foreign currencies as at September 30, 2007 and October 1, 2006.

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 September 30, 2007:

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	59.7	3.7	5.2	50.8	–
Operating leases	49.0	6.9	13.1	9.9	19.1
Purchase obligations	132.1	131.9	0.2	–	–
Other obligations	50.4	50.4	–	–	–
Total Contractual Obligations	**291.2**	**192.9**	**18.5**	**60.7**	**19.1**

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 2008.

Settlement of 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 taxation 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 judgment in its favour. Notwithstanding the judgment, 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 received legal opinions that the tax assessment was without merit under Mexican law governing re-export from maquiladora operations. Additionally, Gildan Mexico, a maquiladora operation, provided documentation to establish that the textiles imported into Mexico for sewing were subsequently exported to the United States and Canada.

In April 2007, a new law, which was passed by the Mexican Congress in December 2006, was formally enacted. The provisions of this law allowed Gildan Mexico to apply for the forgiveness of all of the interest and penalties and a substantial amount of the principal related to this tax assessment. In May 2007, Gildan Mexico filed an application requesting that the provisions of the new law be applied to its outstanding tax assessment. The Mexican taxation authorities accepted the application in May 2007 and Gildan Mexico settled the assessment with a payment of $0.4 million during the third quarter of fiscal 2007. We had previously recorded a charge for this amount, which was reflected in selling, general and administrative expenses in the second quarter of fiscal 2007. Gildan Mexico has been released from all previously tax-assessed amounts by the Mexican taxation authorities.

Outstanding Share Data

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

As at November 30, 2007, there were 120,426,127 common shares issued and outstanding along with 975,539 stock options and 924,000 dilutive restricted share units (Treasury RSUs) outstanding. Each stock option entitles the holder to purchase one common share at the end of the vesting period at a predetermined option price. Each Treasury RSU 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.

Stock Split

On May 2, 2007, 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 18, 2007. The Company's shares commenced trading on a post-split basis on May 16, 2007 on the Toronto Stock Exchange (TSX), and on May 28, 2007 on the New York Stock Exchange (NYSE), in accordance with the respective requirements of these exchanges.

On May 4, 2005, our Board of Directors declared 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 TSX, and on June 1, 2005 on the NYSE.

All share and per share data in this MD&A are stated after the above-noted stock splits.

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 judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. On an ongoing basis, management reviews its estimates and actual results could differ materially 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. Our extension of credit and our determination of the allowance for doubtful accounts involve judgment and are 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.

Property, plant and equipment

Our property, plant and equipment 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 property, plant and equipment. Assessing the reasonableness of the estimated useful lives of property, plant and equipment requires judgment and is based on currently available information. We also review our property, plant and equipment 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 judgments as to the remaining service potential of the property, plant and equipment. 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 property, plant and equipment 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 mitigate 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. We recognize future income tax assets only to the extent that, in management's opinion, it is more likely than not that the future income tax assets will be realized. Our assessment of whether a future income tax asset is more likely than not to be realized is based on estimates of future taxable income in certain jurisdictions and other assumptions.

Our income tax provision is based on domestic laws in the various countries in which we operate as well as applicable international tax treaties. These rules and regulations are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. We periodically review our estimates relating to income tax assets and liabilities, and record adjustments as circumstances warrant, such as changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities, and in such eventualities we may be required to reduce or increase the value of income tax assets and liabilities resulting in a material income tax expense or recovery in future periods.

Business Acquisitions

We account 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. We estimate the fair value of assets and liabilities acquired at date of acquisition using a projected discounted cash flow method and other valuation methods. We make a number of significant estimates when calculating fair value using a projected discounted cash flow method. These estimates include projected future cash flows, the number of years used, the discount rate and others.

We believe that our estimates and valuation methods are reasonable. They are consistent with our inherent planning and reflect our best estimates, but they have inherent uncertainties that management may not be able to control.

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Policies

Effective at the commencement of our 2007 fiscal year, we adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, Comprehensive Income, 3251, Equity, 3855, Financial Instruments – Recognition and Measurement, 3861, Financial Instruments – Disclosure and Presentation, and 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006 on a prospective basis, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net earnings calculated in accordance with generally accepted accounting principles.

Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge,"

when the hedged item is a future cash flow, or a “fair value hedge,” when the hedged item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included 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 net earnings.

As a result of the adoption of these standards, we have classified our cash equivalents as available for sale. We have also classified our accounts receivable as loans and receivables, and our accounts payable and long-term debt as other financial liabilities, all of which are measured at amortized cost. The adoption of these new standards also resulted in the reclassification of an amount of $26.2 million previously recorded in “Cumulative translation adjustment” to “Accumulated other comprehensive income” on the consolidated balance sheets. As at October 1, 2006 and September 30, 2007, all outstanding forward foreign exchange contracts were reported on a mark-to-market basis and the gains or losses were included in earnings, because we elected not to follow hedge accounting for these derivatives. The adoption of these standards had no impact on the consolidated statement of earnings.

Recent Accounting Pronouncements

Capital Disclosures

In December 2006, the CICA issued Section 1535, Capital Disclosures. This Section established standards for disclosing information about an entity’s capital and how it is managed. This Section is effective for fiscal periods beginning on or after October 1, 2007. This new standard relates to disclosure only and will not impact our financial results.

Financial Instruments – Disclosure and Presentation

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation. These Sections are effective for fiscal periods beginning on or after October 1, 2007. These sections replace existing Section 3861, Financial Instruments – Disclosure and Presentation. Disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Section 3855, Financial Instruments – Recognitions and Measurement. These new standards relate to disclosure and presentation only and will not impact our financial results.

Inventories

In June 2007, the CICA issued Section 3031, Inventories, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. We have not yet determined what the impact of adopting this standard will have on our consolidated financial statements.

International Financial Reporting Standards

In 2005 the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its “Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP”. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS. It is anticipated that the decision on the changeover date from current Canadian GAAP to IFRS will be made by the CICA by March 31, 2008. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. We are currently assessing the future impact of these new standards on our consolidated financial statements.

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 $103.9 million in fiscal 2007 (2006 – $100.4 million), along with $0.8 million relating to management fees (2006 – $0.8 million). As at September 30, 2007, we had an outstanding payable to Frontier of $20.1 million (2006 – $18.9 million).

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 September 30, 2007. 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 13(a)-15(f) and 15(d)-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 September 30, 2007, 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.

Attestation Report of Independent 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 unqualified attestation report on the effectiveness of our internal control over financial reporting as of September 30, 2007.

Changes in Internal Controls Over Financial Reporting

There have been no changes during fiscal 2007 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our 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.

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 we will be successful in the retail channel or in penetrating other international markets.

In addition to our acquisitions of Kentucky Derby and Prewett, 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 such acquisitions or that we would realize the anticipated benefits from 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 for the wholesale and retail channels, such as the Fruit of the Loom, Hanes and Jerzees brands. 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. In particular, the U.S. sock industry is subject to global competition, including significant imports from Asia.

Our ability to remain competitive in the areas of price, quality, 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. In the future, our financial performance may be negatively affected if we are forced to reduce our prices without a corresponding decrease in production costs, or if our production costs, including the cost of raw materials, increase and we cannot raise 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 marketing and large-scale manufacturing of basic, non-fashion apparel products. 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 the United States and other jurisdictions in which we operate. 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 requirements such as manufacturing interruption 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 a relatively small number of significant customers totaling approximately 200. In fiscal 2007 our largest customer accounted for 23.1% (2006 – 28.2%) of sales, and our top ten customers accounted for 62.8% (2006 – 66.0%) of total sales. We expect that these customers will continue to represent a significant portion of our sales in the future. 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 could 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 experience a significant business downturn or fail 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, there can be no assurance 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 judgment 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 result in uncollectible accounts receivable from 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 September 30, 2007, the Company's top ten customers accounted for approximately 61.4% (2006 – 57.0%) of the trade receivable balance of which one customer represented 15.6% (2006 – 18.1%). 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

There exist a number of regional trade agreements and programs, such as the North American Free Trade Agreement (NAFTA), the Caribbean Basin Trade Partnership Act (CBTPA), the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE) which allow qualifying textiles and apparel from participating countries duty-free access to developed countries' markets. Two of the newest programs, CAFTA-DR and HOPE, were adopted to strengthen and develop economic relations among countries which are party to the agreement. In addition, the above-mentioned international trade legislation contains provisions that may apply tariffs, quotas and/or safeguards, as necessary.

We have situated our manufacturing facilities in strategic locations to take advantage of these trade liberalization measures, which are intended to position us to be globally competitive. However, any changes to existing international trade legislation, which the Company is currently relying on in conducting its manufacturing operations, may negatively impact our business.

There also exist a number of trade agreements involving various countries engaged in textile manufacturing activities in which the Company currently does not have any operations. Any changes to such agreements or any new trade agreements or legislation, which would allow duty free and/or quota free access of apparel into developed countries, may also negatively impact our operations by enabling the Company's competitors to have a more effective cost structure.

The textile and apparel industries of developed countries such as Canada, the United States and the European community, have historically received a relatively higher degree of trade protection than other industries. However, since January 2005, quotas on imports of textiles and

apparel from member countries of the World Trade Organization (WTO) have been eliminated with the exception of China, which will continue to be subject to quotas on its textile and apparel exports until the end of the 2008 calendar year.

CAFTA-DR provides for the application of safeguards in the form of reinstatement of normal duties if increased imports cause or threaten to cause substantial injury to a domestic industry. The United States is considering such a safeguard against socks imported from Honduras, which, if enacted, could affect our imports of socks from our Honduran sock facility. Under the current legislation, a safeguard under CAFTA-DR may be imposed for a period of up to three years, and may not extend beyond March 31, 2011. While we believe that there is no basis to support a conclusion that sock imports from Honduras have caused or threatened to cause serious damage to the U.S. domestic sock industry, there can be no assurance that the United States will make such a determination nor can there be any assurances that safeguards under CAFTA-DR or other developments in trade legislation would not adversely impact our business.

In addition, the Company is subject to customs audits in the various countries in which it operates. Although we believe that our customs compliance programs are effective, we cannot predict the 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 structure for managing its global sales, marketing, manufacturing and product sourcing operations results in the income generated from its global activities 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 also conducts annual transfer pricing studies to substantiate the transactions between the various related parties within the Company. Although we believe we are in compliance with the underlying rules and regulations with respect to our transfer pricing in the various countries in which we operate, this area of taxation is subject to interpretation and may be challenged by the taxation authorities. We cannot predict the outcome of governmental audits related to this area.

The Company is subject to and is regularly undergoing 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 income tax provision. Depending on the ultimate outcome of any such audit, there may be a material impact on the Company's consolidated income tax provision and its income tax assets and liabilities. 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 adversely impact the effective income 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, may also adversely impact the effective income tax rate of the Company.

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

Cotton and polyester fibres are the primary raw materials used in the manufacture of our products. We also purchase chemicals, dyestuffs and trims through a variety of suppliers. The Company purchases cotton and polyester fibres through its yarn-spinning joint venture, and also purchases processed cotton yarn and blended yarn from outside vendors, at prices that are correlated with the price of cotton and polyester fibres. 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 affect our energy consumption costs and can also influence the prices of related items used in our business, such as polyester fibres, 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 advance 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 $3.9 million, at estimated current production levels. 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. However, a dramatic increase in the price of cotton could have a material adverse effect on our business, results of operations and financial condition if the increase or part of the increase could not be mitigated through higher industry selling prices.

Our operations are subject to political, social and economic risks

The majority of our products are now manufactured and sewn in Central America and the Caribbean Basin. Some of the countries in which we operate have experienced political, social and economic instability in the past, and we cannot be certain of their future stability.

Events that could disrupt our supply chain, interrupt production at our facilities, increase our cost of sales or result in capital expenditures include:

- political instability, labour unrest, war or terrorism;
- disruptions in shipping and freight forwarding services;
- 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, whether or not covered by our insurance policies, 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.

On the other hand, we are also exposed to loss of sales opportunities if we underestimate market demand and produce too little inventory for any particular period to satisfy our customers' demand for our products. Customers could seek to fulfill their product needs from competitors and reduce the amount of business they do with us, 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 purchase raw materials and supplies, schedule and manage production, process transactions, respond to customer inquiries, manage inventories and ship goods on a timely basis to our customers. There can be no assurance that we will not experience operational problems with our information systems as a result of system failures, viruses, security breaches or other causes. In addition, there can be no assurance that we will be able to timely modify or adapt our systems to meet evolving requirements for our business. 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

The functional and reporting currency of the Company is the US dollar. The majority of the Company's sales revenues are denominated in US dollars, while a significant portion of its manufacturing operations are located outside the United States, and its corporate head office is located in Canada. The Company is therefore 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 versus the Canadian dollar, the Honduras Lempira, the Dominican Republic Peso, the British Pound and the Euro exchange rates. Significant fluctuations in these exchange rates versus the U.S. dollar 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 more than 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 in which we operate could have a material impact on our operating costs.

The Company has historically 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 Labor 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 an internationally respected Director of Corporate Social Responsibility who is developing and implementing the Company's compliance programs, including a comprehensive program of training and auditing at our Company-owned and contractor facilities. 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 27, management uses adjusted net earnings and adjusted diluted earnings per share, which are 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)

2007	**Audited**		**Adjusted**
Sales	**964.4**		**964.4**
Cost of sales	**655.3**		**655.3**
Gross profit	**309.1**		**309.1**
Selling, general and administrative expenses	**110.9**		**110.9**
Restructuring and other charges	**28.0**	**(28.0)**[(1)]	**–**
	170.2	**28.0**	**198.2**
Depreciation and amortization	**38.8**		**38.8**
Interest, net	**4.9**		**4.9**
Non-controlling interest in income of consolidated joint venture	**1.3**		**1.3**
Earnings before income taxes	**125.2**	**28.0**	**153.2**
Income tax (recovery) expense	**(4.8)**	**0.7**(1)	**(4.1)**
Net earnings	**130.0**	**27.3**	**157.3**
Basic EPS	**1.08**	**0.22**	**1.30**
Diluted EPS	**1.07**	**0.22**	**1.29**

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 27.

(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 tax expense	4.8	0.4(1)	5.2
Net earnings	106.8	20.0	126.8
Basic EPS	0.89	0.17	1.06
Diluted EPS	0.88	0.17	1.05

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 27.

Adjusted Net Earnings and Adjusted Diluted EPS

(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 tax expense	1.4	3.9(1)	5.3
Net earnings	86.0	7.9	93.9
Basic EPS	0.72	0.06	0.78
Diluted EPS	0.72	0.06	0.78

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 27.

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 27. 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)

	2007	2006	2005
Net earnings	**130.0**	106.8	86.0
Restructuring and other charges	**28.0**	20.4	11.8
Depreciation and amortization	**38.8**	32.4	25.6
Interest, net	**4.9**	3.1	4.6
Income tax (recovery) expense	**(4.8)**	4.8	1.4
Non-controlling interest in income of consolidated joint venture	**1.3**	0.2	0.1
EBITDA	**198.2**	167.7	129.5

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)

	2007	2006	2005
Cash flows from operating activities	**91.2**	94.7	93.2
Cash flows used in investing activities	**(134.7)**	(96.1)	(83.8)

Add back:			
Acquisition of Kentucky Derby	**–**	19.9	–
Free cash flow	**(43.5)**	18.5	9.4

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

Total Indebtedness and (Net Indebtedness)

Cash in Excess of Debt

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

(in $ millions)

	2007	2006	2005
Bank indebtedness	**–**	(3.5)	(4.0)
Current portion of long-term debt	**(3.7)**	(21.8)	(19.8)
Long-term debt	**(56.0)**	(12.0)	(27.3)
Total indebtedness	**(59.7)**	(37.3)	(51.1)
Cash and cash equivalents	**9.3**	29.0	69.8
(Net indebtedness) Cash in excess of debt	**(50.4)**	(8.3)	18.7

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 conditional or 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 38, 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;
- our reliance on a small number of significant customers;
- changes in consumer preferences, customer demand for our products and our ability to maintain customer relationships and grow our business;
- our customers do not commit to minimum quantity purchases;
- the seasonality of our business;
- our ability to attract and retain key personnel;
- high reliance on computerized information systems;
- changes in accounting policies and estimates; and
- disruption to manufacturing and distribution activities due to labour disruptions, bad 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, unless otherwise stated, 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 14, 2007

CONSOLIDATED FINANCIAL STATEMENTS

GILDAN ACTIVEWEAR INC.
(EXPRESSED IN US DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments. 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 38 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 years ended September 30, 2007 and 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 September 30, 2007.

[Signed: Glenn J. Chamandy]

Glenn J. Chamandy
President and Chief Executive Officer

[Signed: Laurence G. Sellyn]

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

December 6, 2007

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. (the "Company") and subsidiaries as of September 30, 2007 and October 1, 2006 and the related consolidated statements of earnings and comprehensive income, shareholders' equity and cash flows for the years ended September 30, 2007, October 1, 2006 and October 2, 2005. 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 years ended September 30, 2007 and October 1, 2006, we also conducted our audits 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 the Company and subsidiaries as of September 30, 2007 and October 1, 2006, and the results of their operations and their cash flows for the years ended September 30, 2007, October 1, 2006 and October 2, 2005, 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 Company's internal control over financial reporting as of September 30, 2007, 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, 2007 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(Signed: KPMG LLP)

Chartered Accountants
Montréal, Canada

December 6, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Gildan Activewear Inc.'s (the "Company") internal control over financial reporting as of September 30, 2007, based on the criteria established in *Internal Control - - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).* 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 as presented in the section entitled "Management's Annual Report on Internal Control over Financial Reporting" included in Management's Discussion and Analysis of Financial Condition and Results of Operations. Our responsibility is to express an opinion on 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 the financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 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, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2007, based on criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).*

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards. With respect to the consolidated financial statements for the years ended September 30, 2007 and October 1, 2006, we also have conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated December 6, 2007 expressed an unqualified opinion on those consolidated financial statements.

(Signed: KPMG LLP)

Chartered Accountants
Montréal, Canada

December 6, 2007

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2007 AND OCTOBER 1, 2006
(IN THOUSANDS OF US DOLLARS)

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	**$ 9,250**	$ 29,007
Accounts receivable	**206,088**	165,870
Inventories	**239,963**	200,653
Prepaid expenses and deposits	**7,959**	5,757
Future income taxes (note 14)	**2,610**	5,298
	465,870	406,585
Property, plant and equipment (note 4)	**377,617**	302,677
Other assets (note 6)	**11,426**	4,501
Assets held for sale (note 16)	**6,610**	-
Intangible assets (note 5)	**2,024**	9,513
Future income taxes (note 14)	**10,939**	-
	$ 874,486	$ 723,276
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	**$ -**	$ 3,500
Accounts payable and accrued liabilities	**116,683**	117,984
Income taxes payable	**2,949**	2,269
Current portion of long-term debt (note 8)	**3,689**	21,820
	123,321	145,573
Long-term debt (note 8)	**55,971**	12,041
Future income taxes (note 14)	**24,612**	29,443
Non-controlling interest in consolidated joint venture	**6,932**	5,654
Shareholders' equity (note 9):		
Share capital	**88,061**	86,584
Contributed surplus	**3,953**	2,365
Accumulated other comprehensive income	**26,248**	26,248
Retained earnings	**545,388**	415,368
	571,636	441,616
Total shareholders' equity	**663,650**	530,565
Commitments and contingent liabilities (note 12) Subsequent event (note 21)		
	$ 874,486	$ 723,276

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Glenn J. Chamandy

Glenn J. Chamandy
Director

/s/ Pierre Robitalle

Pierre Robitaille
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

YEARS ENDED SEPTEMBER 30, 2007, OCTOBER 1, 2006 AND OCTOBER 2, 2005
(IN THOUSANDS OF US DOLLARS, EXCEPT PER SHARE AMOUNTS)

	2007	2006	2005
Sales	**$ 964,429**	$ 773,190	$ 653,851
Cost of sales	**655,280**	521,095	450,570
Gross profit	**309,149**	252,095	203,281
Selling, general and administrative expenses	**110,979**	84,388	73,846
Restructuring and other charges (note 16)	**28,012**	20,386	11,776
Earnings before the undernoted items	**170,158**	147,321	117,659
Depreciation and amortization	**38,777**	32,383	25,615
Interest, net	**4,898**	3,067	4,615
Non-controlling interest in income of consolidated joint venture	**1,278**	260	34
	44,953	35,710	30,264
Earnings before income taxes	**125,205**	111,611	87,395
Income tax (recovery) expense (note 14)	**(4,815)**	4,782	1,352
Net earnings and comprehensive income	**$ 130,020**	$ 106,829	$ 86,043
Earnings per share (note 15):			
Basic	**$ 1.08**	$ 0.89	$ 0.72
Diluted	**1.07**	0.88	0.72

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED SEPTEMBER 30, 2007, OCTOBER 1, 2006 AND OCTOBER 2, 2005
(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE AMOUNTS)

	Common Shares		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
	Number	Amount				
Balance, October 3, 2004	118,794,824	$ 78,170	$ 681	$ 26,248	$ 222,496	$ 327,595
Stock-based compensation related to stock options and restricted share units	-	-	1,050	-	-	1,050
Shares issued under employee share purchase plan	19,832	200	-	-	-	200
Shares issued pursuant to exercise of stock options	1,094,404	5,672	-	-	-	5,672
Ascribed value credited to share capital from exercise of stock options	-	135	(135)	-	-	-
Net earnings	-	-	-	-	86,043	86,043
Balance, October 2, 2005	119,909,060	84,177	1,596	26,248	308,539	420,560
Stock-based compensation related to stock options and restricted share units (note 10 (b))	-	-	908	-	-	908
Shares issued pursuant to business acquisition (note 3)	20,000	460	-	-	-	460
Shares issued under employee share purchase plan (note 10 (a))	16,642	360	-	-	-	360
Shares issued pursuant to exercise of stock options (note 10 (b))	281,966	1,448	-	-	-	1,448
Ascribed value credited to share capital from exercise of stock options	-	139	(139)	-	-	-
Net earnings	-	-	-	-	106,829	106,829
Balance, October 1, 2006	120,227,668	86,584	2,365	26,248	415,368	530,565
Stock-based compensation related to stock options and restricted share units (note 10 (b))	-	-	1,814	-	-	1,814
Shares issued under employee share purchase plan (note 10 (a))	18,279	530	-	-	-	530
Shares issued pursuant to exercise of stock options (note 10 (b))	149,034	786	-	-	-	786
Shares issued pursuant to exercise of restricted share units (note 10 (b))	26,917	-	-	-	-	-
Ascribed value credited to share capital from exercise of stock options and Treasury restricted share units	-	226	(226)	-	-	-
Share repurchases	(2,437)	(65)	-	-	-	(65)
Net earnings	-	-	-	-	130,020	130,020
Balance, September 30, 2007	**120,419,461**	**$ 88,061**	**$ 3,953**	**$ 26,248**	**$ 545,388**	**$ 663,650**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2007, OCTOBER 1, 2006 AND OCTOBER 2, 2005
(IN THOUSANDS OF US DOLLARS)

	2007	2006	2005
Cash flows from (used in) operating activities:			
Net earnings	**$ 130,020**	$ 106,829	$ 86,043
Adjustments for:			
Depreciation and amortization	**42,270**	32,383	25,615
Impairment loss and write-down of property, plant and equipment (note 16)	**3,560**	15,149	6,783
(Gain) loss on disposal of assets held for sale and property, plant and equipment	**(1,198)**	1,197	590
Stock-based compensation costs	**1,814**	908	1,050
Future income taxes	**(8,919)**	1,764	176
Non-controlling interest	**1,278**	260	34
Unrealized foreign exchange loss	**3,226**	843	2,552
Changes in non-cash working capital balances:			
Accounts receivable	**(36,392)**	(41,058)	(22,694)
Inventories	**(39,310)**	(35,435)	(17,790)
Prepaid expenses and deposits	**(2,202)**	95	(1,082)
Accounts payable and accrued liabilities	**(3,327)**	11,046	11,979
Income taxes payable	**343**	740	(6)
	91,163	94,721	93,250
Cash flows from (used in) financing activities:			
Increase in amounts drawn under revolving long-term credit facility	**49,000**	-	-
Repayment of other long-term debt	**(23,201)**	(23,866)	(24,739)
Increase in other long-term debt	**-**	691	12,086
(Decrease) increase in bank indebtedness	**(3,500)**	(17,830)	3,980
Repayment of capital leases	**-**	(186)	(157)
Proceeds from the issuance of shares	**1,316**	1,808	5,872
Repurchase of shares	**(65)**	-	-
Contribution by non-controlling interest	**-**	-	2,500
	23,550	(39,383)	(458)
Cash flows from (used in) investing activities:			
Purchase of property, plant and equipment	**(134,282)**	(80,183)	(86,124)
Acquisition of Kentucky Derby Hosiery Co., Inc. (note 3)	**-**	(19,911)	-
Proceeds from the sale of assets held for sale	**6,668**	5,027	4,087
Net increase in other assets	**(7,075)**	(986)	(1,811)
	(134,689)	(96,053)	(83,848)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**219**	(80)	187
Net (decrease) increase in cash and cash equivalents during the year	**(19,757)**	(40,795)	9,131
Cash and cash equivalents, beginning of year	**29,007**	69,802	60,671
Cash and cash equivalents, end of year	**$ 9,250**	$ 29,007	$ 69,802
Supplemental disclosure of cash flow information (note 17 (c))			

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2007, OCTOBER 1, 2006 AND OCTOBER 2, 2005
(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Gildan Activewear Inc. (the "Company") is incorporated under the Canada Business Corporations Act. Its principal business activity is the manufacture and sale of activewear, socks and underwear. The Company's fiscal year ends on the first Sunday following September 28. All references to 2007, 2006 and 2005 represent the fiscal years ended September 30, 2007, October 1, 2006 and October 2, 2005, respectively.

All share and per share data in these consolidated financial statements reflect the effect of the two-for-one stock splits declared in May 2005 and May 2007. See note 9 (b).

1 ACCOUNTING CHANGES

(a) 2007 Accounting changes:

Effective at the commencement of its 2007 fiscal year, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530, "Comprehensive Income", 3251, "Equity", 3855, "Financial Instruments - Recognition and Measurement", 3861, "Financial Instruments - Disclosure and Presentation", and 3865, "Hedges". These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006 on a prospective basis, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net earnings calculated in accordance with generally accepted accounting principles.

Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge," when the hedged item is a future cash flow, or a "fair value hedge," when the hedged item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included 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 net earnings.

As a result of the adoption of these standards, the Company has classified its cash equivalents as available for sale. The Company has also classified its accounts receivable as loans and receivables, and its accounts payable and long-term debt as other financial liabilities, all of which are measured at amortized cost. The adoption of these new standards also resulted in the reclassification of an amount of $26.2 million previously recorded in "Cumulative translation adjustment" to "Accumulated other comprehensive income" on the consolidated balance sheets. As at October 1, 2006 and September 30, 2007, all outstanding forward foreign exchange contracts were reported on a mark-to-market basis and the gains or losses were included in earnings, because the Company elected not to follow hedge accounting for these derivatives. The adoption of these standards had no impact on the consolidated statements of earnings.

1 ACCOUNTING CHANGES (CONTINUED)

(b) Future accounting changes:

Capital Disclosures

In December 2006, the CICA issued Section 1535, "Capital Disclosures". This section established standards for disclosing information about an entity's capital and how it is managed. This Section is effective for fiscal periods beginning on or after October 1, 2007. This new standard relates to disclosure only and will not impact the financial results of the Company.

Financial Instruments - Disclosure and Presentation

In December 2006, the CICA issued Section 3862, "Financial Instruments - Disclosure", and Section 3863, "Financial Instruments - Presentation". These sections replace the existing Section 3861, "Financial Instruments - Disclosure and Presentation". These sections are effective for fiscal periods beginning on or after October 1, 2007. Disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Section 3855, "Financial Instruments - Recognition and Measurement". These new standards relate to disclosure only and will not impact the financial results of the Company.

Inventories

In June 2007, the CICA issued Section 3031, "Inventories", which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on its consolidated financial statements.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS. It is anticipated that the decision on the changeover date from current Canadian GAAP to IFRS will be made by the CICA by March 31, 2008. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are expressed in U.S. 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.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, OCTOBER 1, 2006 AND OCTOBER 2, 2005
(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Property, plant and equipment:

Property, plant and equipment 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%

Assets not in service include expenditure incurred to-date for plant expansions which are still in process and equipment not yet in service as at the balance sheet date. Depreciation on these assets commences 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.

(f) Impairment of long-lived assets:

Long-lived assets, consisting of property, plant and equipment 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:

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) Foreign currency translation:

Monetary assets and liabilities of the Canadian and foreign operations denominated in currencies other than U.S. dollars are translated at the rates of exchange at the balance sheet date. Other balance sheet items, denominated in currencies other than U.S. dollars, are translated at the rates prevailing at the respective transaction dates. Income and expenses, denominated in currencies other than U.S. 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.

(i) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cost of sales and gross profit:

Cost of sales includes all raw material costs, manufacturing conversion costs, sourcing costs and transportation costs incurred until the receipt of finished goods at the Company's 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.

Gross profit is the result of sales less cost of sales. The Company's gross margins may not be comparable to this metric as reported by other companies, since some entities include depreciation expense and distribution costs in cost of sales, whereas the Company includes them in depreciation and amortization and selling, general and administrative expenses, respectively.

(k) Selling, general and administrative expenses:

Selling, general and administrative (SG&A) expenses include costs incurred subsequent to the receipt of finished goods at the Company's distribution facilities, excluding depreciation expense and costs of inter-warehouse transfers of finished goods. The principal components of 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 cost, professional fees, and other general and administrative expenses.

(l) Product introduction expenditures:

Product introduction expenditures are one-time fees paid to retailers to allow the Company's products to be placed on store shelves. These fees are recognized as a reduction in revenue when incurred unless the Company receives a benefit over a period of time and certain other criteria are met, such as recoverability and enforceability. In this case, these fees are recorded as an asset and are amortized as a reduction of revenue over the term of the arrangement. The Company evaluates the recoverability of these assets on a quarterly basis.

(m) 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.

(n) 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 the corresponding gains or losses for the hedged items; gains and losses realized subsequently as a result of marking-to-market are charged directly to earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, deferred gains or losses are charged to earnings. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in earnings.

As at October 1, 2006 and September 30, 2007, 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 apply hedge accounting for these derivatives.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, OCTOBER 1, 2006 AND OCTOBER 2, 2005
(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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 recorded.

The Company's income tax provision is based on domestic laws in the various countries in which it operates as well as applicable international tax treaties. These tax rules and regulations are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. The Company's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

(p) 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 where services are received in exchange for stock-based compensation and other stock-based payments. For stock options and Treasury restricted share units, compensation cost is measured at the fair value at the date of grant and is expensed over the award's vesting period. For non-Treasury restricted share units, the compensation cost is ultimately measured based on the market price of the Company's shares at the vesting date and is recognized by amortizing the cost over the vesting period. The offsetting liability is marked-to-market until the vesting date with any changes in the market value of the Company's shares resulting in a change in the measure of compensation cost for these awards, which is recorded in the periods in which these changes occur.

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 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.

(q) 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.

(r) 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 that 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.

(s) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 non-current assets, with the balance recorded as an extraordinary gain.

(u) 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 materially from those estimates.

Significant areas requiring the use of management estimates and assumptions include the allowance for doubtful accounts, inventory obsolescence, income tax assets and liabilities, stock-based compensation costs, the fair value of identifiable tangible and intangible assets in a business combination and the useful life and recoverability of property, plant and equipment and intangible assets.

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 purpose of the acquisition was to enhance and accelerate the Company’s strategy to enter the North American mass-market retail channel as a supplier of 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
Property, plant and equipment		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
20,000 common shares		460
Transaction costs		911
	$	20,371

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 $23.00 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 on which the terms of the purchase consideration were agreed to and announced.

Included in the purchase price allocation was 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. During fiscal 2007, $775 was paid relating to severance and other employee related costs. The restructuring and integrating process is expected to be completed during the first half of fiscal 2008. As at September 30, 2007, the balance of $725 is included in "Accounts payable and accrued liabilities".

4 PROPERTY, PLANT AND EQUIPMENT

			2007
	Cost	**Accumulated depreciation**	**Net book value**
Land	**$ 22,951**	**$ -**	**$ 22,951**
Buildings and improvements	**125,916**	**22,503**	**103,413**
Equipment	**315,841**	**103,218**	**212,623**
Assets not in service	**38,630**	**-**	**38,630**
	$ 503,338	**$ 125,721**	**$ 377,617**

			2006
	Cost	Accumulated depreciation	Net book value
Land	$ 21,669	$ -	$ 21,669
Buildings and improvements	109,949	19,442	90,507
Equipment	264,020	107,530	156,490
Assets not in service	34,011	-	34,011
	$ 429,649	$ 126,972	$ 302,677

Assets not in service include expenditures incurred to-date for plant expansions which are still in process and equipment not yet in service as at the balance sheet date.

5 INTANGIBLE ASSETS

	2007	2006
Customer contracts and customer relationships (note 3)	**$ 9,866**	$ 9,866
Less reversal of valuation allowance on acquired future tax assets	**(7,340)**	-
Less accumulated amortization	**(502)**	(353)
	$ 2,024	$ 9,513

In the fourth quarter of fiscal 2007, the Company determined that it was more likely than not that it would be able to realize the future income tax assets with respect to its wholly-owned subsidiary, Kentucky Derby, which were not originally recognized at the date of acquisition. In accordance with generally accepted accounting principles, this benefit was recorded as a reduction of the unamortized intangible asset related to this acquisition.

NOTES TO CONSOLIDATED
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(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

6 OTHER ASSETS

		2007		2006
Long-term prepaid expenses and other	$	5,482	$	1,131
Plant start-up costs, net of accumulated amortization of $1,603 (2006 - $808)		2,548		1,590
Long-term receivable		2,251		758
Deferred corporate transaction costs in connection with acquisition (note 21)		1,070		-
Deposits		75		581
Prepaid equipment rental		-		441
	$	11,426	$	4,501

7 BANK INDEBTEDNESS

The Company's joint venture, CanAm, has a revolving line of credit in the amount of $4,000. The borrowings are due on demand and bear interest at 30-day LIBOR plus 2.0% (7.12% at September 30, 2007; 7.58% at October 1, 2006). The line of credit is secured by a first ranking security interest on the assets of the joint venture.

As at October 1, 2006, the joint venture had utilized $3,500 of its line of credit. The balance was paid in full during fiscal 2007.

8 LONG-TERM DEBT

		2007		2006
Secured:				
Senior notes (a)	$	-	$	17,500
Term loan, repayable in monthly instalments, bearing interest at 30-day LIBOR plus 2.50% (7.62% at September 30, 2007; 8.07% at October 1, 2006), maturing in September 2012; secured by assets (c)		6,659		9,657
Term loan, repayable in monthly instalments, bearing interest at a fixed rate of 6%, maturing in December 2008; secured by equipment (c)		407		734
Municipal bonds, repayable in annual instalments, bearing interest at variable rates (4.15% at September 30, 2007; 3.85% at October 1, 2006), maturing in January 2010; secured by building and equipment (d)		2,144		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 2007 to June 2009; secured by equipment (d)		974		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 (d)		438		647
Note payable to bank due in monthly instalments, bearing interest at NY Prime plus 0.25% (8.50% at October 1, 2006) (d)		-		195
		10,622		33,721
Current portion of secured debt		3,652		21,712
	$	6,970	$	12,009

8 LONG-TERM DEBT (CONTINUED)

	2007	2006
Unsecured:		
Revolving term credit facility (b)	**$ 49,000**	$ -
Term loans, bearing interest at rates up to 5% per annum, maturing at various dates through 2008	**38**	140
	49,038	140
Current portion of unsecured debt	**37**	108
	$ 49,001	$ 32
Total secured and unsecured long-term debt	**$ 55,971**	$ 12,041

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

(b) The Company has a committed revolving long-term credit facility for a maximum of $300,000, which matures in June 2012. The facility is unsecured. As at September 30, 2007, $49,000 was drawn under this facility bearing a combined effective interest rate of 6.16%. There were no amounts drawn under this facility at October 1, 2006. On October 30, 2007, the Company increased its revolving long-term credit facility to a maximum of $400,000.

(c) 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. Other creditors of CanAm do not have any recourse to the general credit of the Company.

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

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 September 30, 2007 and October 1, 2006.

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

Fiscal year	
2008	$ 3,689
2009	2,843
2010	2,371
2011	1,634
2012	49,123
	$ 59,660

9 SHAREHOLDERS' EQUITY

(a) 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.

(b) On May 4, 2005, the Board of Directors of the Company declared a two-for-one stock split, effected in the form of a stock dividend, applicable to all of its issued and outstanding common shares, to shareholders of record on May 20, 2005. On May 2, 2007, the Board of Directors of the Company declared a two-for-one stock split, effected in the form of a stock dividend, applicable to all of its issued and outstanding common shares, to shareholders of record on May 18, 2007. All share and per share data in these consolidated financial statements reflect the effect of the stock splits on a retroactive basis.

(c) Accumulated other comprehensive income:

At the commencement of fiscal 2004, the Company adopted the U.S. 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 accumulated other comprehensive income.

(d) Share capital:

Authorized

First preferred shares, without limit as to number and without par value, issuable in series and non-voting. Second preferred shares, without limit as to number and without par value, issuable in series and non-voting. As at September 30, 2007 and October 1, 2006 none of the first and second preferred shares were issued. Common shares authorized without limit as to number and without par value.

Issued

As at September 30, 2007 there were 120,419,461 (2006 - 120,227,668) common shares issued and outstanding.

10 STOCK-BASED COMPENSATION

(a) Employee share purchase plans:

The Company has an 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 2,800,000 common shares for issuance under the plans. As at September 30, 2007, a total of 140,433 (2006 - 122,154) shares were issued under these plans. Included as compensation costs in "Selling, general and administrative expenses" is $51 (2006 - $31) relating to the employee share purchase 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, dilutive restricted share units ("Treasury RSUs") and non-dilutive restricted share units ("non-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 6,000,316 the number of common shares that are issuable pursuant to the exercise of stock options and the vesting of Treasury RSUs. As at September 30, 2007, 3,843,140 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 five-year period from the date of grant, and expire no more than ten years after the date of the grant.

10 STOCK-BASED COMPENSATION (CONTINUED)

(b) Stock options and restricted share units (continued)

Changes in outstanding stock options were as follows:

	Number	Weighted average exercise price
		(in Canadian dollars)
Options outstanding, October 2, 2005	1,137,556	$ 6.31
Exercised	(281,966)	6.19
Options outstanding, October 1, 2006	855, 590	6.35
Granted	180,632	27.28
Exercised	(149,034)	5.54
Forfeited	(34,630)	27.25
Options outstanding, September 30, 2007	**852,558**	**$ 10.08**

The weighted average fair value of each option granted in fiscal 2007 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

Risk free interest rate	3.9%
Expected volatility	29.0%
Expected life	4.66 years
Expected dividend yield	nil

The grant date weighted average fair value of options granted in fiscal 2007 was CA$8.57.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2007:

	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)
$ 1.29 - 2.44	77,576	$ 2.05	1.29	77,576	$ 2.05
$ 5.00 - 5.39	65,060	5.24	4.09	65,060	5.24
$ 6.06 - 6.88	338,778	6.35	3.00	338,778	6.35
$ 8.50 - 10.22	225,142	8.68	3.52	225,142	8.68
$ 27.17 - 30.67	146,002	27.29	6.02	-	-
	852,558	$ 10.08		706,556	$ 6.52

10 STOCK-BASED COMPENSATION (CONTINUED)

(b) Stock options and restricted share units (continued)

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 vesting of 50% of the Treasury RSUs are dependent upon the financial performance of the Company relative to a benchmark group of Canadian publicly listed companies. 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 the 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)
Treasury RSUs outstanding, October 2, 2005	712,000	$	11.74
Granted	241,000		22.86
Forfeited	(120,000)		12.78
Treasury RSUs outstanding, October 1, 2006	833,000		14.81
Granted	240,000		31.22
Settled through the issuance of common shares	(26,917)		10.61
Forfeited	(104,768)		14.19
Treasury RSUs outstanding, September 30, 2007	**941,315**	**$**	**18.83**

As of September 30, 2007, none of the outstanding Treasury RSUs were vested. The compensation expense included in “Selling, general and administrative expenses” and “Costs of sales”, in respect of the options and Treasury RSUs, was $1,814 (2006 - $908). The counterpart has been recorded as contributed surplus. When the shares are issued to the employees, the amounts previously credited to contributed surplus are transferred to share capital.

Changes in outstanding non-Treasury RSUs were as follows:

	Number
Non-Treasury RSUs outstanding, October 1, 2006	-
Granted	69,628
Settled	(88)
Forfeited	(13,264)
Non-Treasury RSUs outstanding, September 30, 2007	**56,276**

Non-Treasury RSUs have the same features as Treasury RSUs, except that their vesting period is a maximum of three years and they will be settled in cash at the end of the vesting period. The settlement amount is based on the Company’s stock price at the vesting date. As of September 30, 2007, the weighted average fair value per non-Treasury RSU was CA$39.39. No common shares are issued from treasury under such awards and they are, therefore, non-dilutive. As of September 30, 2007, none of the outstanding non-Treasury RSUs were vested.

The compensation expense included in “Selling, general and administrative expenses” and “Costs of sales”, in respect of the non-Treasury RSUs, was $440 (2006 - nil).

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 board 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 September 30, 2007, there were 11,504 (2006 - 3,982) DSUs outstanding at a value of $453 (2006 - $96). This amount is included in "Accounts payable and accrued liabilities". The DSU obligation is 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:

	Number
DSUs outstanding, October 2, 2005	5,332
Granted	2,994
Settled	(4,344)
DSUs outstanding, October 1, 2006	3,982
Granted	7,522
DSUs outstanding, September 30, 2007	**11,504**

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		
2008	$	6,881
2009		6,910
2010		6,236
2011		5,670
2012		4,186
Thereafter		19,120
	$	49,003

(b) As at September 30, 2007, there were contractual obligations outstanding of approximately $40,507 for the acquisition of property, plant and equipment (2006 - $46,882).

(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.

12 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(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 taxation 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 judgment in its favor. Notwithstanding the judgment, the regional Mexican taxation office issued a new assessment in March 2005 and increased the assessed amount to approximately $7,100, 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. The Company received legal opinions that the tax assessment was without merit under Mexican law governing re-export for maquiladora operations. Additionally, Gildan Mexico, a maquiladora operation, provided documentation to establish that the textiles imported into Mexico for sewing were subsequently exported to the United States and Canada.

In April 2007, a new law, which was passed by the Mexican Congress in December 2006, was formally enacted. The provisions of this law allowed Gildan Mexico to apply for the forgiveness of all of the interest and penalties and a substantial amount of the principal related to this tax assessment. In May 2007, Gildan Mexico filed an application requesting that the provisions of the new law be applied to its outstanding tax assessment. The Mexican taxation authorities accepted the application in May 2007 and Gildan Mexico settled the assessment with a payment of $400 during the third quarter of fiscal 2007. The Company had previously recorded a charge for this amount, which was reflected in "Selling, general and administrative expenses" in the second quarter of fiscal 2007. Gildan Mexico has been released from all previously tax assessed amounts by the Mexican taxation authorities.

13 GUARANTEES

The Company, and some of its subsidiaries, have granted corporate guarantees, irrevocable standby letters of credit and surety bonds to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform its contractual obligations. As at September 30, 2007, the maximum potential liability under these guarantees was $13,600, of which $5,500 was for surety bonds and $8,100 was for corporate guarantees and standby letters of credit. The standby letters of credit mature at various dates during fiscal 2008, the surety bonds are automatically renewed on an annual basis and the corporate guarantees mature at various dates up to fiscal 2010.

As at September 30, 2007, 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 has determined 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:

	2007	2006	2005
Combined basic Canadian federal and provincial income taxes	**$ 40,291**	$ 35,459	$ 27,075
Increase (decrease) in income taxes resulting from:			
Effect of different tax rates on earnings of foreign subsidiaries	**(38,288)**	(33,664)	(29,016)
Effect of income tax recovery	**(7,601)**	-	-
Effect of non-deductible expenses and other	**783**	2,987	3,293
	$ (4,815)	$ 4,782	$ 1,352

For fiscal 2007, the income tax recovery of $7,601 relates to previously unrecognized tax benefits of a prior taxation year.

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 (recovery) are as follows:

	2007	2006	2005
Current income taxes	**$ 4,104**	$ 3,018	$ 1,176
Future income taxes	**(8,919)**	1,764	176
	$ (4,815)	$ 4,782	$ 1,352

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.

14 INCOME TAXES (CONTINUED)

Significant components of the Company's future income tax assets and liabilities are as follows:

	2007	2006
Future income tax assets (liabilities):		
Non-capital losses and research and development expenses	**$ 11,872**	$ 5,495
Reserves and accruals	**2,263**	5,561
Other	**321**	3,665
	14,456	14,721
Less valuation allowance	**(907)**	(7,340)
	13,549	7,381
Property, plant and equipment and other	**(24,612)**	(31,526)
Net future income tax liability	**$ (11,063)**	$ (24,145)
Presented as:		
Current assets	**$ 2,610**	$ 5,298
Long-term assets	**10,939**	-
Long-term liabilities	**(24,612)**	(29,443)
	$ (11,063)	$ (24,145)

In fiscal 2006, the Company recorded a valuation allowance of $7,340, due to the uncertainty of recognizing the tax benefits of unused tax losses and deductible temporary differences arising from the acquisition of Kentucky Derby. During fiscal 2007, the Company concluded that these tax benefits are more likely than not to be realized. Accordingly, the valuation allowance has been reversed and applied to reduce the unamortized portion of the intangible assets relating to the Kentucky Derby acquisition, as indicated in note 5 to the consolidated financial statements.

15 EARNINGS PER SHARE

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

	2007	2006	2005
Basic earnings per share:			
Basic weighted average number of common shares outstanding	**120,339,830**	120,103,366	119,381,932
Basic earnings per share	**$ 1.08**	$ 0.89	$ 0.72
Diluted earnings per share:			
Basic weighted average number of common shares outstanding	**120,339,830**	120,103,366	119,381,932
Plus impact of stock options and Treasury RSUs	**1,198,482**	1,148,402	887,820
Diluted weighted average number of common shares outstanding	**121,538,312**	121,251,768	120,269,752
Diluted earnings per share	**$ 1.07**	$ 0.88	$ 0.72

All stock options and Treasury RSUs outstanding for fiscal 2007, 2006 and 2005 were dilutive.

16 RESTRUCTURING AND OTHER CHARGES

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

	2007	2006	2005
Accelerated depreciation (a)	**$ 3,493**	$ -	$ -
Net gain on disposal of assets held for sale (b)	**(1,530)**	-	-
Asset impairment loss and write-down of property, plant and equipment (a) (c)	**3,560**	15,149	6,783
Severance (a) (c)	**13,619**	2,141	3,688
Charge to comply with employment contract (d)	**-**	1,456	1,050
Other (a)(e)	**8,870**	1,640	255
	$ 28,012	$ 20,386	$ 11,776

(a) In September 2006, the Company announced a restructuring of its Canadian manufacturing operations, involving the closure of its textile manufacturing facility in Valleyfield, Quebec and the downsizing of its Montreal, Quebec knitting facility, to take effect in December 2006. In fiscal 2006, the Company recorded severance charges of $2,141 and other exit costs of $1,640 relating to this restructuring. In addition, in September 2006, the Company recorded an impairment loss of $15,149 on all Canadian textile and related manufacturing assets, and reduced its estimate of the remaining economic lives of these assets. The effect of this change in estimate, amounting to $3,493 for fiscal 2007, was classified as accelerated depreciation and included in “Restructuring and other charges”. The Company does not expect any further amounts to be incurred relating to accelerated depreciation in fiscal 2008.

(b) During the fourth quarter of fiscal 2006, the Company announced the relocation and consolidation of its U.S. retail distribution centres and the closure of its Canadian distribution centre in Montreal, Quebec, effective October 2006. The Company also announced the closure and downsizing of the sock manufacturing capacity located in North Carolina and Virginia. As at September 30, 2007, assets held for sale include land, building and equipment at these locations. The Company ceased recording depreciation on these assets, which are recorded at the lower of their net book value or fair value less costs to sell. During fiscal 2007, the Company sold some of the assets related to these facilities and recorded a net gain of $1,530.

16 RESTRUCTURING AND OTHER CHARGES (CONTINUED)

(c) On March 27, 2007, the Company announced plans to close its two remaining textile facilities in Montreal, Canada and its cutting facility in Bombay, New York, in the fourth quarter of fiscal 2007. In addition, the Company closed two sewing facilities in Mexico in March 2007, which had been supplied with fabric from Gildan's Canadian textile operations. In fiscal 2007, the Company recorded severance costs of $13,619, primarily relating to these plant closures. As at September 30, 2007, assets held for sale include land, building and equipment at these locations.

Concurrent with the restructuring of the Canadian textile operations, the Company also announced plans to relocate its corporate office, which is currently located in the same facility as was its Montreal knitting operations, into leased premises in the Montreal area. In March 2007, the Company recorded a $3,560 asset impairment loss relating to its corporate head office facility.

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 components of the charge primarily included a write-down to fair value of the fixed assets not transferred to CanAm of $6,783 and employee severance of $3,688. The fixed assets not transferred to CanAm were classified as held for sale at their estimated fair values. Proceeds from these assets of $4,087 and $5,027 were received in fiscal 2005 and in fiscal 2006, respectively. Severance costs were paid in full in fiscal 2005.

The Company does not expect any further severance charges to be incurred relating to these closures in fiscal 2008.

(d) 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. This resulted in charges of $1,456 in fiscal 2006 and $1,050 in fiscal 2005. Most of the payments under this contract are payable in Canadian dollars. No charges were incurred in fiscal 2007 relating to this employment contract.

(e) Other costs relate primarily to exit costs incurred in connection with the closures noted above, including carrying and dismantling costs associated with assets held for sale. Other costs also include temporary incremental duties incurred as a result of the closure of the Company's Mexican sewing facilities. The Company expects to incur additional carrying costs relating to the assets held for sale, which will be accounted for as restructing charges as incurred during fiscal 2008, until all assets related to the closures are disposed of.

Accounts payable and accrued liabilities include amounts for severance costs relating to restructuring activities and charges to comply with the employment contract, as follows:

Balance, October 2, 2005	$ 2,782
Severance costs	2,141
Adjustments related to variable components of contractual obligations	1,456
Foreign exchange adjustment	114
Payments	(1,064)
Balance, October 1, 2006	5,429
Severance costs	13,619
Foreign exchange adjustment	234
Payments	(15,034)
Balance, September 30, 2007	**$ 4,248**

17 OTHER INFORMATION

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

		2007		2006		2005
Depreciation expense of property, plant and equipment	**$**	**36,891**	$	31,006	$	24,677
Accelerated depreciation expense of property, plant and equipment		**3,493**		-		-
Interest expense on long-term debt		**4,997**		4,253		4,805
Interest expense on short-term indebtedness		**361**		280		260
Foreign exchange gain (loss)		**717**		1,578		(1,113)
Defined contribution plan expense		**1,360**		1,035		688
Amortization expense of deferred start-up costs		**1,509**		770		502
Amortization of intangible assets		**149**		353		-
Amortization of deferred financing costs		**228**		254		436
Investment income		**460**		1,466		450
Research and development tax credits		**646**		1,290		761

(b) During fiscal 2007, the Company expensed $4,693 (2006 - $3,229; 2005 - $4,448) in "Cost of sales", representing managements' best estimate of the cost of statutory severance and pre-notice benefit obligations relating to employees located in the Caribbean Basin and Central America. As at September 30, 2007, an amount of $9,373 (2006 - $6,658) has been included in "Accounts payable and accrued liabilities".

(c) Supplemental cash flow disclosure:

		2007		2006		2005
Cash paid during the year for:						
Interest	**$**	**5,447**	$	4,771	$	4,516
Income taxes		**4,780**		2,031		1,557
Non-cash transactions:						
Additions to property, plant and equipment included in accounts payable and accrued liabilities		**2,566**		2,979		740
Issuance of shares on acquisition of Kentucky Derby		**-**		460		-
Ascribed value accredited to share capital from issuance of stock options and Treasury RSUs		**226**		139		135
Reversal of valuation allowance on acquired future tax assets		**7,340**		-		-
Proceeds on disposal of long-lived assets in long-term receivable		**1,855**		-		-
Proceeds on disposal of long-lived assets in accounts receivable		**1,050**		-		-
Cash and cash equivalents consist of:						
Cash balances with banks		**9,250**		27,810		38,802
Short-term investments, bearing interest at 4.90% in 2006 and 3.67% in 2005		**-**		1,197		31,000
	$	**9,250**	$	29,007	$	69,802

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:

	2007	2006	2005
Transactions:			
Yarn purchases	**$ 103,902**	$ 100,432	$ 106,820
Management fee expense	**750**	750	562
Balances outstanding:			
Accounts payable	**20,130**	18,877	15,631

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

19 FINANCIAL INSTRUMENTS

(a) Foreign currency risk management:

A portion of the Company's sales and operating expenses are denominated in currencies other than U.S. dollars. From time to time, the Company uses forward foreign exchange contracts to hedge its foreign exchange exposure on cash flows related to sales and expenses.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at September 30, 2007 and October 1, 2006:

	Notional amount	Exchange rate	Maturity	Notional US dollar equivalent
2007				
Buy contracts:				
Foreign exchange contracts:	**€ 4,425**	**1.3390 to 1.4222**	**Oct. 2007 - Dec. 2007**	**$ 6,025**
Sell contracts:				
Foreign exchange contracts:	**€ 13,980**	**1.3410 to 1.3899**	**Oct. 2007 - Oct. 2008**	**$ 19,096**
	£ 10,801	**1.9640 to 2.0331**	**Oct. 2007 - Oct. 2008**	**21,501**
	CA$ 3,800	**0.9945**	**Oct. 2007**	**3,821**
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

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.

19 FINANCIAL INSTRUMENTS (CONTINUED)

(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 judgment and is based on an evaluation of each customer's financial condition and payment history. The Company regularly monitors its credit risk exposure to its customers and takes steps to mitigate the risk of loss. As at September 30, 2007, the Company's top ten customers accounted for 61.4% (2006 - 57.0%) of the trade receivable balance, of which one customer represented 15.6% (2006 - 18.1%). 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.

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 the long-term receivable also approximates its carrying amount.

The fair value of long-term debt approximates the carrying value of $59,660 as at September 30, 2007. As at October 1, 2006, the fair value of the long-term debt was $34,479 compared to a carrying amount of $33,861. The fair value of the forward foreign exchange contracts is $(794) (2006 - $502) as at September 30, 2007. 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 long-term debt with a carrying amount of $57,803, 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:

	2007	2006	2005
Activewear and underwear	**$ 826,252**	$ 743,215	$ 653,851
Socks	**138,177**	29,975	-
	$ 964,429	$ 773,190	$ 653,851

20 SEGMENTED INFORMATION (CONTINUED)

(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 23.1% of total sales (2006 - 28.2%; 2005 - 28.2%).

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

	2007	2006	2005
United States	**$ 852,522**	$ 680,048	$ 567,084
Canada	**53,336**	50,440	46,009
Europe and other	**58,571**	42,702	40,758
	$ 964,429	$ 773,190	$ 653,851

(c) Property, plant and equipment by geographic area are as follows:

	2007	2006
Caribbean Basin and Central America	**$ 294,063**	$ 200,170
United States	**65,399**	68,591
Canada	**17,218**	31,407
Mexico	**937**	2,509
	$ 377,617	$ 302,677

21 SUBSEQUENT EVENT

On October 15, 2007, the Company acquired 100% of the capital stock of V.I. Prewett & Son, Inc. (Prewett), a U.S. private label supplier of basic family socks to U.S. mass-market retailers. Prewett's corporate headquarters are located in Fort Payne, Alabama. The Company paid $125,000 on closing, and also placed $10,000 in escrow to provide for a further contingent increase in the purchase price of the acquisition. The funds were drawn under the Company's revolving long-term credit facility. The Company has not yet finalized the allocation of the purchase price for this acquisition.

The acquisition is intended to enhance further the Company's position as a full-product supplier of socks, activewear and underwear for the retail channel.

22 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, 2007 on the consolidated balance sheets of Gildan Activewear Inc. as at September 30, 2007 and October 1, 2006 and the consolidated statements of earnings and comprehensive income, shareholders' equity and cash flows for the years ended September 30, 2007, October 1, 2006 and October 2, 2005
- our auditors' report dated December 6, 2007 on reconciliation to United States generally accepted accounting principles
- our Report of Independent Registered Public Accounting Firm dated December 6, 2007 on the Company's internal control over financial reporting as of September 30, 2007

each of which is contained in this annual report on Form 40-F of Gildan Activewear Inc. for the fiscal year ended September 30, 2007.

/*s*/KPMG LLP

Chartered Accountants

Montréal, Canada
December 19, 2007

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.
KPMG Canada provides services to KPMG LLP.

KPMG

Supplementary Information of

GILDAN ACTIVEWEAR INC.

Three years ended September 30, 2007

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AUDITORS' REPORT ON RECONCILIATION TO UNITED STATES GAAP

To the Board of Directors of Gildan Activewear Inc.

On December 6, 2007, we reported on the consolidated balance sheets of Gildan Activewear Inc. (the "Company") as at September 30, 2007 and October 1, 2006 and the consolidated statements of earnings and comprehensive income, shareholders' equity and cash flows for the years ended September 30, 2007, October 1, 2006 and October 2, 2005, 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 years ended September 30, 2007 and 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, 2007

GILDAN ACTIVEWEAR INC.

Reconciliation to United States GAAP

Years ended September 30, 2007, October 1, 2006 and October 2, 2005
(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:

	2007	2006	2005
Net earnings in accordance with Canadian GAAP	$ 130,020	$ 106,829	$ 86,043
Swap revenue (i)	(29)	(94)	(175)
Start-up costs (ii)	(958)	(537)	(293)
Tax effect of above adjustments	9	29	54
Net earnings in accordance with United States GAAP	129,042	106,227	85,629
Other comprehensive income:			
Mark-to-market adjustments on foreign exchange contracts, net of tax (d)	-	(2,037)	580
Comprehensive income	$ 129,042	$ 104,190	$ 86,209

	2007	2006	2005
Earnings per share under United States GAAP:			
Basic	$ 1.07	$ 0.88	$ 0.72
Diluted	1.06	0.88	0.72
Weighted average number of common shares outstanding:			
Basic	120,339,830	120,103,366	119,381,932
Diluted	121,538,312	121,251,768	120,269,752

(a) Consolidated statements of earnings (continued):

(i) Swap revenue:

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 was 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's amortization of start-up costs deferred under Canadian GAAP.

(b) Consolidated statements of cash flows:

	2007	2006	2005
Changes due to United States GAAP:			
Operating activities on a Canadian basis	$ 91,163	$ 94,721	$ 93,250
Start-up costs	(958)	(537)	(293)
Operating activities cash flow, United States GAAP	90,205	94,184	92,957
Investing activities on a Canadian basis	(134,689)	(96,053)	(83,848)
Start-up costs	958	537	293
Investing activities cash flow, United States GAAP	(133,731)	(95,516)	(83,555)
Financing activities on a Canadian basis and under United States GAAP	23,550	(39,383)	(458)
Effect of exchange rate changes on cash and cash equivalents	219	(80)	187
Net (decrease) increase in cash and cash equivalents, during the year	(19,757)	(40,795)	9,131
Cash and cash equivalents, United States GAAP, beginning of year	29,007	69,802	60,671
Cash and cash equivalents, United States GAAP, end of year	$ 9,250	$ 29,007	$ 69,802

(c) Consolidated balance sheets:

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

	2007	2006
Shareholders' equity under Canadian GAAP	$ 663,650	$ 530,565
United States GAAP adjustments:		
Start-up costs	(2,548)	(1,590)
Cross-currency swap	-	29
Tax effect on above adjustments	-	(9)
	(2,548)	(1,570)
Shareholders' equity under United States GAAP	$ 661,102	$ 528,995

(d) Comprehensive income:

Under United States GAAP, Statement of Financial Accounting Standards 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. 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:

	2007	2006	2005
Opening balance	$ 26,248	$ 28,285	$ 27,705
Change during the year	-	(2,037)	580
	$ 26,248	$ 26,248	$ 28,285

Under Canadian GAAP, the Company adopted similar standards for reporting and displaying comprehensive income on January 1, 2007.

(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.

	2007	2006	2005
Statements of earnings:			
Rental expenses	$ 8,654	$ 5,535	$ 3,517
Advertising expenses	8,634	6,627	5,760
Balance sheets:			
Accounts payable	54,920	58,089	43,234
Accrued liabilities	61,763	59,866	43,486
Allowance for doubtful accounts, price discounts and rebates	69,373	57,487	42,258

(f) New accounting standards:

Accounting for uncertainty in income taxes:

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 clarifies the accounting for uncertainly in income taxes recognized in an enterprise's financial statements in accordance with Financial Accounting Standard No. 109, *Accounting for Income Taxes* and prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions of FIN 48 are to be applied upon initial adoption, with the cumulative effect adjustment reported as an adjustment to the opening balance of retained earnings. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the potential impact of FIN 48 on the Company's consolidated financial statements.

(f) New accounting standards (continued):

Fair value measurements:

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements ("SFAS 157")* . SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of SFAS 157 to materially impact its consolidated financial statements.

Fair value option for financial assets and liabilities:

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement no. 115* ("SFAS 159"). SFAS 159 permits entities the option to measure financial instruments at fair value ("fair value option") thereby achieving an offsetting effect for accounting purposes for certain changes in fair value of certain related assets and liabilities without having to apply hedge accounting. The fair value option is applied on an instrument by instrument basis to the entire instrument (not a portion of an instrument). Items eligible for the fair value option are measured at fair value at specified election dates. This statement is effective for financial instruments issued for fiscal years after November 15, 2007. The Company does not expect the adoption of SFAS 159 to materially impact its consolidated financial statements.

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 19, 2007

/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 19, 2007

/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 September 30, 2007 (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 19, 2007

/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 September 30, 2007 (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 19, 2007

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