UNITED STATES
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

[X] Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For Fiscal year ended: October 2, 2011 **Commission File number: 01-14830**

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)

600 de Maisonneuve Boulevard West, Montreal, Quebec, Canada H3A 3J2, (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**

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:

[X] Annual Information Form [X] 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:
121,330,544

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 [X]

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 [X] No [ ]



GILDAN ACTIVEWEAR INC.

ANNUAL INFORMATION FORM

for the year ended October 2, 2011

December 9, 2011

GILDAN ACTIVEWEAR INC. 2011

ANNUAL INFORMATION FORM

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This Annual Information Form is dated December 9, 2011 and, except as otherwise indicated, the information contained herein is given as of December 9, 2011.

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.

In this Annual Information Form, "Gildan", the "Company" or the words "we", "our" and "us" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries 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:

- *Audited Consolidated Financial Statements as at and for the year ended October 2, 2011 (the "2011 Financial Statements");*
- *Management's Discussion and Analysis for the year ended October 2, 2011 (the "2011 Annual MD&A");*
- *The Business Acquisition Report filed on June 27, 2011 in connection with the acquisition of Gold Toe Moretz Holdings Corp. on April 15, 2011; and*
- *The latest Notice of Annual Meeting of Shareholders and Management Proxy Circular filed on SEDAR.*

The foregoing documents are available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov and on the Company's website at www.gildan.com/corporate.

This Annual Information Form contains certain forward-looking statements that are based on Gildan's current expectations, estimates, projections and assumptions and that 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 on pages 24 and 25 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 in the screenprint channel. 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. On February 10, 2011, we filed Articles of Amendment in order to change the maximum number of directors from ten to twelve.

Our principal executive offices and registered office are located at 600 de Maisonneuve Boulevard West, 33 rd Floor, Montreal, Québec, Canada H3A 3J2, 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 Interests that Gildan held as at December 9, 2011
Gildan Activewear SRL	Barbados	100%
Gildan USA Inc.	Delaware	100%
Gildan Choloma Textiles, S. de R.L.	Honduras	100%
Gildan Activewear Dominican Republic Textile Company Inc.	Barbados	100%
Gildan Activewear Honduras Textile 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 (UK) Limited	United Kingdom	100%
Gildan Hosiery Rio Nance, S. de R.L.	Honduras	100%
GoldToeMoretz, LLC	Delaware	100%
Gildan Honduras Properties, S. de R.L.	Honduras	100%
Gildan Mayan Textiles, S. de R.L.	Honduras	100%

The subsidiaries that have been omitted do not represent individually more than 10% of the consolidated assets and 10% of the consolidated revenue of Gildan, or in the aggregate more than 20% of the total consolidated assets and the consolidated revenue as at and for the year ended October 2, 2011.

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 Recent Developments

- Short-term promotional discounting in the U.S. wholesale distributor channel began to increase at the end of the fourth quarter of fiscal 2011 and has continued to increase in the first quarter of fiscal 2012 despite the fact that industry suppliers have not yet consumed high cost cotton inventories. In addition, in the first quarter of fiscal 2012, distributors have been supplying screenprinter demand without replenishing inventory levels, which we believe was mainly due to the anticipation by distributors of selling price reductions from suppliers. Weak market conditions in the retail channel are also reflecting delayed replenishment of inventories by retailers. In order to enable distributors to plan their business and to stimulate screenprinter demand for Gildan products, on November 30, 2011, Gildan announced a reduction in selling prices in the U.S. distributor channel, effective December 5, 2011. In addition, Gildan concurrently announced its intention to apply the benefit of the price reduction to existing distributor inventories, which is projected to result in a distributor

inventory devaluation discount of approximately $17 million, and which will be recorded as a reduction to net sales during the first quarter of fiscal 2012.

- On November 30, 2011, Gildan's Board of Directors declared a cash dividend of $0.075 per share for an expected aggregate payment of $9.1 million, which will be paid on January 6, 2012 on all of the issued and outstanding Common Shares, rateably and proportionately to the shareholders of record on December 15, 2011.

- On December 2, 2011, the Toronto Stock Exchange ("TSX") approved the renewal of Gildan's normal course issuer bid to purchase up to a maximum of 1,000,000 Common Shares, representing approximately 0.8% of its issued and outstanding Common Shares as at November 30, 2011. Any purchases under the renewed bid will be made during the period from December 6, 2011 to December 5, 2012, or until such time as the bid is completed or terminated at the Company's option. Purchases will be made on the open market on both the TSX and the New York Stock Exchange ("NYSE"). Under the bid, the Company may purchase up to a maximum of 107,619 Common Shares daily, which represents 25% of the average daily trading volume on the TSX for the most recently completed six calendar months. The price to be paid will be the market price of the Common Shares on the stock exchange on which such Common Shares are purchased at the time of acquisition. Common Shares purchased under the bid will be cancelled. As at November 30, 2011, there were 121,410,406 Common Shares issued and outstanding.

- In the event that, during the course of the normal course issuer bid, the Common Shares trade at a price range that does not adequately reflect their value in relation to the Company's assets, business and future business prospects, the Company believes that the purchase of up to 1,000,000 of its outstanding Common Shares made under the normal course issuer bid will represent an appropriate use of the Company's corporate funds, while still preserving its financing flexibility to pursue potential growth opportunities.

- Beginning in the first quarter of fiscal 2012, the Company will begin reporting its business under two separate operating business segments, in line with the new operating and internal financial reporting structure of the Company. Gildan is now structured as two operating businesses that reflect the major customer market segments that it serves, each of which has accountability for its financial performance and return on capital. Previously, we managed and reported our operating performance under one reportable business segment, being high-volume, basic, frequently-replenished, non-fashion apparel. The following summary describes the operations of each of the Company's reportable segments starting in fiscal 2012:

    - Screenprint: The screenprint business, headquartered in Barbados, designs, manufactures and distributes undecorated activewear products primarily to wholesale distributors and other screenprint markets in the U.S., Canada and international markets such as Europe, Mexico and the Asia-Pacific region.

    - Retail: The retail business, headquartered in Charleston, South Carolina, designs, manufactures, sources and distributes socks, underwear, as well as activewear products, primarily to U.S. retailers.

2.2 Developments in Fiscal 2011

- In the first half of fiscal 2011, we experienced a recovery in demand in our target screenprint markets. However, starting with the third quarter of fiscal 2011, market conditions weakened and demand in the U.S. wholesale distributor channel declined approximately 8% in the second half of fiscal 2011. Towards the latter part of fiscal 2010 we began to see a dramatic increase in cotton prices which peaked to historical new highs during fiscal 2011. In response to the significant increase in cotton costs, apparel suppliers, including Gildan, implemented successive price increases beginning in the fourth quarter of fiscal 2010 and during fiscal 2011. During the second half of fiscal 2011, cotton future prices began a rapid and significant decline, but with no immediate benefit on industry costs as existing manufacturer inventories continue to reflect cotton purchased at the previously higher levels of cotton prices. Despite existing high cost cotton in manufacturer inventories, short-term promotional discounting began to increase in the U.S. distributor channel at the end of the fourth quarter of fiscal 2011. Please see update provided under "Recent Developments" above.

- On December 1, 2010, the Company's Board of Directors approved the introduction of a quarterly cash dividend in the amount of U.S. $0.075 per share payable on all issued and outstanding Common Shares. During fiscal 2011, the Company paid an aggregate of $27.5 million of dividends.

- On December 1, 2010, the Company's Board of Directors also approved the reinstatement of a normal course issuer bid to repurchase up to 1,000,000 outstanding Common Shares of the Company on the TSX and the NYSE. The Company was authorized to make purchases under the bid during the period from December 6, 2010 to December 5, 2011 or until such time as the bid was completed or terminated at the Company's option. The price paid was the market price of the Common Shares on the stock exchange on which the shares were purchased at the time of acquisition. During fiscal 2011, the Company purchased 400,000 Common Shares under the bid for an aggregate amount of approximately $10.5 million. The Common Shares purchased under the bid were cancelled.

- On April 15, 2011, the Company acquired 100% of the capital stock of Gold Toe Moretz Holdings Corp. ("Gold Toe Moretz"), for an aggregate cash consideration of $349.6 million. Gold Toe Moretz is a leading supplier of high-quality branded athletic, casual and dress socks for national chains, mass-market retailers, price clubs, department stores and specialty sporting goods stores in the United States. The acquisition was initially financed using $100 million of cash on hand and $250 million drawn on Gildan's revolving credit facility. An additional purchase price consideration of up to 150,000 common shares is contingent on specified future events. The acquisition of Gold Toe Moretz represents an important step in our ongoing strategic development in retail. In addition to the introduction of leading consumer brands, the acquisition significantly expands and diversifies our channels of distribution across the broad spectrum of the U.S. retail channel.

- During fiscal 2011, the Company completed the construction of its third textile manufacturing facility in Honduras, Rio Nance 5, and commenced operations at the end of the fiscal year.

- During fiscal 2011, the Company consolidated U.S. sock manufacturing operations from its V.I. Prewett & Son, Inc. ("Prewett") subsidiary, which was acquired in fiscal 2008, to its Central American manufacturing hub.

- During fiscal 2011, the Company increased its long-term unsecured revolving bank credit facility to $800 million from $400 million and extended the maturity date to June 2016 from June 2013.

2.3 Developments in Fiscal 2010

- Following the severe economic downturn in 2009, we began to experience a recovery in demand in our target screenprint markets in the second quarter of fiscal 2010. This recovery contributed in part to the Company's significant sales growth in fiscal 2010. The recessionary conditions from the severe economic downturn in fiscal 2009 followed by the economic recovery, however, created challenging conditions for the apparel marketplace, including global yarn shortages and freight distribution shortages, compounded by volatility in cotton prices. Towards the latter part of fiscal 2010, we began to see a dramatic increase in cotton prices which continued to increase in fiscal 2011 and led to the commencement of selling price increases by apparel suppliers in order to mitigate the impact of increased raw material and other input costs.

- During fiscal 2010, we commenced the ramp-up of production at our new sock manufacturing facility in Honduras, Rio Nance 4.

- As an initial step towards the establishment of a manufacturing hub to support our growth in target markets in Asia and Europe, on March 31, 2010, we acquired a vertically-integrated manufacturing facility for the production of activewear in Bangladesh.

- During fiscal 2010, we made progress with our strategic initiative to penetrate the retail channel. We obtained new activewear and underwear programs, including our first major men's underwear program for Walmart under the Starter brand.

- During fiscal 2010, we completed the construction of a biomass steam generation system in the Dominican Republic, which became operational during the year and initiated the construction of similar biomass steam

generation projects at our sock manufacturing facilities in Honduras. These projects are expected to contribute to the reduction of our energy consumption and related costs.

- On November 17, 2009, we completed the acquisition of a distribution centre and office building in Charleston, South Carolina, for approximately $20 million. During fiscal 2010, we began to consolidate our retail sales, marketing and distribution activities at this location and proceeded with the closure of our distribution centres at Martinsville, Virginia and Fort Payne, Alabama.

- During fiscal 2010, the Company acquired a new office building in Barbados for approximately $20 million, and moved its offices, including the sales and marketing functions of its screenprint business, to this location.

- On January 12, 2010, Haiti was devastated by a massive earthquake, which had an impact on Gildan's third- party contractor operations in Haiti which are used to sew the majority of the fabric produced at our Dominican Republic textile facility. The impact on the Company's operations included a temporary loss of production, primarily during the second quarter, which subsequently resulted in lost sales opportunities as well as supply chain inefficiencies during the balance of the fiscal year. The Company received insurance proceeds of $8 million during the fourth quarter of fiscal 2010 which compensated in part for losses sustained as a result of the impact of the Haiti earthquake.

2.4 Developments in Fiscal 2009

- During fiscal 2009, the severe downturn in the overall economic environment resulted in a dramatic curtailment of consumer and corporate spending, which negatively impacted demand for our products in the U.S., Canadian and international screenprint markets, and which also resulted in significant inventory destocking at the U.S. distributor level. Weaker demand and customer inventory reductions also occurred in the mass-market retail channel. In response to the downturn in the economy, we took a number of steps in order to prudently manage our receivables, inventory levels and capital expenditures. We took short intervals of production downtime during the year at most of our production facilities in order to better align our inventory levels with the weaker sales demand. In the context of the weak economic environment, we managed our credit risk cautiously, as we balanced short-term market share considerations in relation to increased customer credit exposure, including carefully managing our customer accounts and promotional programs. Consequently, during fiscal 2009, we took a decision to temporarily stop replenishing our largest wholesale distributor as it underwent a process to restructure its debt financing. Furthermore, the Company proceeded cautiously on capacity expansion projects previously announced by delaying certain projects until the economic outlook in support of further major capacity expansion became clearer.

- During fiscal 2009, we continued to consolidate our U.S. manufacturing operations to our manufacturing hub in Central America, including the transition of our U.S. sock finishing operations, which were purchased as part of the Prewett acquisition.

- In early fiscal 2009, we were granted a business license by the Chinese government to operate as Gildan (China) Trading Co., Ltd. This corporation has been established to import and sell Gildan products to customers in mainland China. In fiscal 2009, we moved our distribution activities from Shenzhen, China to a new distribution centre in China near Shanghai to better service the initial customer base predominantly located in the Northern provinces of China. Gildan is focusing on building its brand in both the retail and screenprint channels in China.

3. DESCRIPTION OF THE BUSINESS

3.1 Business Overview

We are a marketer and global low-cost vertically-integrated manufacturer of quality branded basic apparel. We service customers requiring an efficient supply chain and consistent product quality for high-volume replenishment programs. Gildan® is the leading brand of activewear for the screenprint channel in the U.S. and Canada and the Company is continuing to grow its presence in Europe, Mexico and the Asia-Pacific region. We are also one of the world's largest suppliers of branded and private label athletic, casual and dress socks sold to a broad spectrum of retailers in the U.S. For the year ended October 2, 2011 and prior years, the Company operated in one business segment, being high-volume, basic and frequently replenished apparel. Beginning in the first quarter of fiscal 2012, the Company began managing and reporting the operating results of its business under two separate financial reporting segments, "Screenprint" and "Retail".

The Company's net sales for fiscal 2011 reached $1,726.0 million.

Strategy and Objectives

Our growth strategy comprises the following initiatives:

- *Maximize screenprint market penetration and opportunities*

  While we have achieved a leadership position in the screenprint distributor channel in the U.S. and in Canada, we continue to pursue further growth opportunities in the North American screenprint market. In particular, we intend to continue to pursue further penetration of the Gildan® brand in the U.S. distributor screenprint channel as we expand our production capacity. The introduction of new products such as softer T- shirts and sport shirts and new styles tailored for women could enable us to further increase our market share by servicing certain niches of the screenprint channel in which we previously did not participate.

  We intend to continue to expand our presence in international screenprint markets, specifically Europe, Mexico and the Asia-Pacific region, and we also plan to continue to grow our sales to large branded apparel companies and retailers that sell imprinted activewear and are currently not serviced by our existing U.S. wholesale distributors. We are continuing to expand our integrated manufacturing hubs in Central America to support our projected growth, and allocate more capacity to service product categories and geographical locations where our growth was previously constrained by capacity availability. In addition, the acquisition of our first vertically-integrated facility for the manufacture of ring-spun T-shirts in Bangladesh during fiscal 2010, combined with the potential development over time of a vertically-integrated manufacturing hub in Bangladesh, is intended to support our strategy to grow our international business in Asia and Europe.

- *Leverage our successful business model to further penetrate the retail channel*

  We intend to continue to leverage our existing core competencies, successful business model and competitive strengths to further penetrate the U.S. retail channel. As in the screenprint channel, success factors in penetrating the retail channel include consistent quality, competitive pricing and fast and flexible replenishment due to our geographical proximity to our markets, together with our commitment to corporate social responsibility and environmental sustainability. We are a leading supplier of socks in the U.S. mass-market retail channel, and intend to continue to build our market share position in socks, activewear and underwear in retail. Within the mass-market retail channel, we have positioned the Company as a strategic supplier of products sold under selective national retailers' private label brands. We also sell our products in the retail channel under the Gildan® brand and, with the acquisition of Gold Toe Moretz, we have significantly expanded our brand portfolio as described under the section entitled "Our Products and Markets". We are increasingly focusing on the steady development of our company-owned and exclusively licensed brands, including the sale of products with the Gildan® label to retailers. The acquisition of Gold Toe Moretz represents an important step in our ongoing strategic development in retail. In addition to the introduction of leading consumer brands, the acquisition significantly expands and diversifies our channels of distribution across the broad spectrum of the U.S. retail channel. Additionally, this acquisition provides enhanced brand management expertise which can be utilized to further the development of the Gildan® brand. Furthermore, we intend to leverage Gildan's manufacturing scale and expertise to support the further development of Gold

Toe Moretz's owned and licensed brands to create further sales growth opportunities in socks and other retail product categories.

- *Continue to generate manufacturing and distribution cost reductions*

  We continuously seek to improve our manufacturing and distribution processes and cost structure by developing and investing in projects for cost-reduction, as well as for further product quality enhancement. We continue to execute our plans to reduce our reliance on high-cost fossil fuels and further reduce our impact on the environment by installing additional biomass facilities as an alternate source of natural renewable energy, and other initiatives to increase the efficiency of our energy-intensive equipment and processes, which reflect the Company's commitment to environmental sustainability. The acquisition of Gold Toe Moretz also creates the potential to achieve cost synergies by combining the operations of both companies and integrating certain high-volume products supplied by Gold Toe Moretz into Gildan's vertically-integrated sock manufacturing in Honduras.

- *Reinvest cash flow*

  We will continue to evaluate opportunities to reinvest our cash flows generated from operations. Our primary use of cash will continue to be to finance our working capital and capital expenditure requirements to support our organic growth, as well as our dividend requirements, but at the same time we will be open to evaluating complementary strategic acquisition opportunities which meet our return on investment criteria, based on our risk-adjusted cost of capital.

Our Products and Markets

In the screenprint channel, we manufacture and distribute T-shirts, fleece and sport shirts in undecorated "blank" form primarily under our industry leading Gildan® brand in large quantities which are primarily sold to wholesale distributors, which are subsequently sold to screenprinters and embroiderers who decorate the products with designs and logos. Screenprinters and embroiderers then sell the imprinted activewear to a highly diversified range of end-use markets, including educational institutions, athletic dealers, event merchandisers, promotional product distributors, charity organizations, entertainment promoters, and travel and tourism venues. Our activewear products are used in a variety of daily activities by individuals, including work and school uniforms and athletic team wear, and for various other purposes to convey individual, group and team identity. We also provide undecorated products to large branded apparel companies and retailers that sell imprinted activewear and are currently not supplied by our existing U.S. wholesale distributors.

In the U.S. mass-market and other retailer channels, the majority of our sales consist of a variety of styles and brands of socks. We supply various private label and branded sock programs and we are increasingly focused on developing the Gildan® brand within the retail channel. With the recent acquisition of Gold Toe Moretz effective April 15, 2011, we now sell a variety of branded athletic, casual and dress socks to national chains, mass-market retailers, price clubs, department stores and specialty sporting goods stores in the United States. The Gold Toe Moretz brand portfolio includes the core Gold Toe® brand, which has high consumer brand recognition in national chains, department stores, and price clubs; the SilverToe® brand for a national chain; the GT® brand which we believe has potential for development in the mass-market; the PowerSox® athletic performance brand which is mainly distributed through sports specialty retailers and national chains; the Auro® dress and casual brand for the mass-market; and, All Pro®, an athletic sock brand for the mass-market. In addition, we have licensing relationships with Under Armour® and New Balance® as the exclusive U.S. sock licensee for these brands. We are also pursuing a strategy to grow our sales of underwear and activewear products in the U.S. retail market, particularly under our company-owned brands.

The vast majority of our products are made of 100% cotton or of blends of cotton and synthetic fibres. Our products are characterized by low-fashion risk compared to other apparel categories since these products are basic, frequently replenished, and since logos and designs for the screenprint market are not imprinted or embroidered by Gildan. The vast majority of our product styles continue from year to year and any variations to products are usually limited to colour assortment, fabric weight, blends and enhancements, with limited design changes.

Our value proposition is based on providing consistent high quality, competitive pricing and fast and flexible replenishment together with our commitment to corporate social responsibility and environmental sustainability.

As a vertically-integrated producer which owns and operates the majority of its manufacturing facilities, we are able to provide premium products to customers in a broad range of sizes, colours and styles with enhanced product features, such as pre-shrunk fabrics, and a selection of fabric weights, blends and construction. Our vertical integration has allowed us to reduce costs and ensure consistency of quality for the products we produce. Continued innovations in our manufacturing process have allowed us to ensure colour/shade consistency and high performance of our activewear garments. In addition, innovations in the sock manufacturing process, such as higher needle count machines and seamless toe closing operations allow Gildan to deliver enhanced product features for its sock products. These innovations have resulted in further improving the value proposition of both our activewear and sock products to our customers.

Activewear and underwear represented 81% of our sales in fiscal 2011, whereas they represented 83% in fiscal 2010. Socks represented 19% of our sales in fiscal 2011, whereas they represented 17% in fiscal 2010.

Competitive Environment

The market for our products is highly competitive. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated, strategically-located manufacturing hubs which allows us to increase the efficiency of our operations and reduce costs, and to offer competitive pricing, consistent product quality, and a reliable supply chain which efficiently services replenishment programs with short production/delivery cycle times. Our acquisition of Gold Toe Moretz complements Gildan's competitive strengths with enhanced brand management experience and expertise, merchandising, technical innovation, design and sourcing capabilities. Our commitment to leading environmental and social responsibility practices is also an increasingly important factor for our customers.

Our primary competitors in North America are the major manufacturers for the screenprint and retail channels, such as Hanesbrands Inc., Berkshire Hathaway Inc. through its subsidiaries Fruit of the Loom, Inc. and Russell Corporation, and smaller U.S.-based manufacturers, including Anvil Knitwear Inc., Alstyle Apparel, a division of Ennis Corp., and Delta Apparel Inc. In addition, our Gold Toe Moretz and licensed sock brands for the retail channel, compete with brands which are owned or licensed by companies that manufacture and/or source socks, such as Renfro Corporation, as well as brands from well-established U.S. fashion apparel and athletic companies, which primarily source their products from Asia. The competitive landscape in the European screenprint channel is similar to that in North America, as we compete primarily with the European divisions of the major U.S.-based manufacturers mentioned above. In Europe, we also have large competitors that do not have integrated manufacturing operations and source products from suppliers in Asia.

Customers

In fiscal 2011, we sold our products in the United States, Canada and Europe and other international markets, which accounted for 89%, 4% and 7% 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 24 to the 2011 Financial Statements, which note 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 300 customers. In fiscal 2011, our largest customer accounted for 19.4% of our total sales, and our top ten customers accounted for 61.1% of our total sales in the retail and screenprint channels.

The large majority of total sales in fiscal 2011 continued to be made in the screenprint channel through our wholesale distributors. Although we have long-term ongoing relationships with many of our customers, our contracts with our customers do not require them to purchase a minimum quantity of our products. Instead, we assess their projected requirements and then plan our production and marketing strategy accordingly.

Manufacturing Operations

To support our sales in the North American and international markets in which we compete, we have developed two main manufacturing hubs in Central America and the Caribbean Basin where we have built modern textile manufacturing facilities for the production of activewear and underwear fabric, as well as sock manufacturing facilities. We also operate sewing facilities which support the fabric production from our textile facilities. The Company also owns a vertically-integrated manufacturing facility for the production of activewear in Bangladesh,

which was acquired in fiscal 2010 as an initial step towards the potential establishment of a manufacturing hub to support our growth in targeted markets in Asia and Europe.

Central American Manufacturing Hub

Our largest manufacturing hub is based in Honduras and includes three vertically-integrated textile facilities (Rio Nance 1, Rio Nance 2 and Rio Nance 5). During fiscal 2011, we completed the construction of our Rio Nance 5 textile facility and commenced operations at the end of the fiscal year. The textiles produced at the Rio Nance complex are sewn in our sewing facilities in Honduras and Nicaragua. At the same complex, we have also constructed and operate two integrated sock manufacturing facilities (Rio Nance 3 and Rio Nance 4). Rio Nance 4 is our most recent sock facility which began production in April 2010 and is expected to support future sales growth in the sock category, provide the opportunity to consolidate some of the third-party sourced products sold under the Gold Toe Moretz brands and position us to reduce our sock manufacturing costs.

Caribbean Basin Manufacturing Hub

Our Caribbean Basin manufacturing hub includes a vertically-integrated textile facility for the production of activewear fabric in Bella Vista, Dominican Republic. Textiles produced at our manufacturing facility in the Dominican Republic are sewn at third-party contractor operations in Haiti and at our sewing facility in the Dominican Republic.

Sourcing Operations

The acquisition of Gold Toe Moretz significantly expands our sourcing capabilities. Gold Toe Moretz has longstanding product sourcing network relationships and expertise which are expected to complement Gildan's large scale, vertically-integrated manufacturing. The majority of the Gold Toe Moretz products are currently sourced from third-party suppliers, primarily in Asia. Gold Toe Moretz operates sourcing offices in Asia to facilitate sourcing decisions and supply chain management. Gildan is exploring opportunities to utilize Gold Toe Moretz's sourcing network to introduce new products within its existing channels of distribution.

Yarn-Spinning

We source our yarn requirements primarily from the U.S., from third-party yarn suppliers with whom we have supply agreements, as well as from our joint venture, CanAm Yarns, LLC ("CanAm"), which operates yarn-spinning facilities in Georgia and North Carolina, United States.

Sales, Marketing and Distribution

Our sales and marketing office which services our global screenprint markets is located in Christ Church, Barbados. We operate our retail sales and marketing activities primarily from our Charleston, South Carolina location. Our sales and marketing offices are responsible for customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and inventory control and logistics for each of their respective markets.

We distribute our activewear products for the screenprint channel primarily out of our distribution centre in Eden, North Carolina. We also use third-party warehouses in the western United States, Canada, Mexico, Europe and Asia to service our customers in these markets. Distribution activities related to servicing retail customers are primarily conducted out of our distribution centre in Charleston, South Carolina. In addition, with the acquisition of Gold Toe Moretz, we service some of our retail customers from retail distribution facilities in North Carolina, some of which are expected to be consolidated and transitioned to the Charleston distribution centre. Gold Toe Moretz also owns and operates retail stores located in outlet malls throughout the United States. Since the acquisition of Gold Toe Moretz, two additional outlet stores were opened bringing the total number of retail stores to 31.

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 both 100% cotton yarn and blended yarn, while polyester is used in the manufacturing of blended yarn only. The majority of the cotton fibre used in the manufacturing of yarn for Gildan is typically

purchased on Gildan's behalf by our yarn suppliers for future delivery at pre-determined prices under contracts as deemed appropriate by management. Polyester pricing is negotiated directly with suppliers on an annual basis subject to the price variability of certain polyester components.

During fiscal 2011, most 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. Our yarn requirement for our Bangladesh operations is supplied by local and regional spinners. We expect that most of our yarn requirements will continue to be met by these sources.

The primary sources of energy consumed in our manufacturing facilities are (i) bunker fuel, natural gas, and biomass, which are used to generate steam required in the production process, and (ii) electricity which is used to power production equipment. The bunker fuel used in our operations is supplied by local third-party suppliers, and the pricing is highly dependent on international market prices for bunker fuel. Natural gas is used in our operations in the Dominican Republic and Bangladesh, and is obtained from local third-party suppliers. Biomass, derived from agricultural waste, is sourced from private third-party suppliers, and provides an increasingly significant source of energy for our operations in both the Dominican Republic and Honduras. We anticipate that our consumption needs of biomass will increase progressively over the next few years. During fiscal 2009, we began construction of a biomass steam generation system in the Dominican Republic, which began operating as of March 2010 and has contributed to the reduction of the energy costs associated with our textile production in the Dominican Republic. In addition, during fiscal 2010, we completed similar biomass steam generation projects for our sock manufacturing facilities in Honduras. The biomass facility for Rio Nance 3 became operational at the end of fiscal 2010, and the second biomass facility for Rio Nance 4 became operational during the first quarter of fiscal 2011. In the third quarter of 2011, we began the construction of a biomass steam generation facility to support our textile facilities in Honduras, which is expected to be completed and operational in the second quarter of 2012. The electricity requirements at our two main production complexes, located in Honduras and the Dominican Republic, are provided by public utility companies. Electricity rates are variable and are, in part, related to underlying oil prices.

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

Management Information Systems

Our Enterprise Resource Planning ("ERP") system supports the majority 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. Due to our increasing dependence on the availability of our computer systems to support our operations, we plan to continue, in fiscal 2012, 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.

The Gildan JD Edwards ERP World system has been in place since 1999. In fiscal 2010, we initiated a process to upgrade to the current release, Enterprise One. The upgrade will facilitate the strategic objective of improving and modernizing system functionality and business agility. We expect to implement the first phase of the upgrade in fiscal 2012.

Seasonality and Other Factors Affecting the Variability of Results and Financial Condition

Our results of operations for interim periods and for full fiscal years are impacted by the variability of certain factors, including, but not limited to, changes in end-use demand and customer demand, our customers' decision to increase or decrease their inventory levels, changes in our sales mix, and fluctuations in selling prices and raw material costs. While our products are sold on a year-round basis, our business experiences seasonal changes in demand which result in 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, in advance of the fall and winter seasons, in the third and fourth quarters of each fiscal 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 and the need to support requirements for the back-to-school period and the holiday season.

Historically, we have typically operated our mature facilities at full capacity throughout the year 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, in particular a build-up of inventory levels in the first half of the year. During fiscal 2010, the massive earthquake that struck Haiti impacted our sewing contractors' operations resulting in a temporary loss of production. This, combined with the recovery in demand during fiscal 2010, prevented the Company from adequately rebuilding inventories to optimal levels by the end of the year. Fiscal 2011 began with sub optimal levels of inventories and the continuation of the strong recovery in demand in the first half of the year did not allow the Company to rebuild its inventories until the fourth quarter of fiscal 2011.

Our results are also impacted by fluctuations in the price of raw materials and other input costs. Cotton and polyester fibres are the primary raw materials used in the manufacture of our products, and we also use chemicals, dyestuffs and trims which we purchase from a variety of suppliers. Cotton prices, which directly affect the cost of the cotton fibres we purchase, are 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. While we enter into contracts in advance of delivery to establish firm prices for cotton and cotton yarn, our realized cotton costs can fluctuate significantly between interim and annual reporting periods. Energy costs in our results of operations are also affected by fluctuations in crude oil and petroleum prices, which can also influence transportation costs and the cost of related items used in our business, such as polyester fibres, chemicals, dyestuffs and trims.

Management decisions to consolidate or reorganize operations, including the closure of facilities, may also result in significant restructuring costs in an interim or annual period. Refer to the section of the 2011 Annual MD&A entitled "Restructuring and Acquisition-Related Costs" for the details of restructuring costs incurred during fiscal 2011, 2010 and 2009. In addition, the effect of asset write-downs, including provisions for bad debts and slow moving inventories, can affect the variability of our results.

Our reported amounts for sales, selling, general and administrative expenses, and financial expense/income are impacted by fluctuations in the U.S. dollar versus certain other currencies as described in the "Financial Risk Management" section of the 2011 Annual MD&A. The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

Trade Regulation

As a multinational corporation, we are affected by international trade legislation and bilateral trade agreements in the countries in which we operate and source products. Although the textile and apparel industries of developed countries such as Canada, the United States and the European Union have historically received a relatively higher degree of trade protection than other industries, trade liberalization has diminished this protection in recent years. In order to remain globally competitive, we have situated our manufacturing facilities in strategic locations to leverage the benefits of the trade liberalization climate. Furthermore, management continuously monitors new developments and risks relating to duties, tariffs and quotas in our approach to global manufacturing and sourcing and makes adjustments as needed.

The United States, Canada and Mexico have implemented several free trade agreements and trade preference programs to enhance trade with their trading partners. There exist a number of regional trade agreements and preference programs, such as the Caribbean Basin Trade Partnership Act, 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 certain developed countries' markets.

The United States adopted two of the newest programs, CAFTA-DR and HOPE (as amended by HOPE II legislation in 2008 and by the Haitian Economic Lift Program legislation in 2010), to strengthen and develop U.S. economic relations with Central America, the Dominican Republic and Haiti.

Proposed legislation in the U.S. Congress would, if adopted, extend duty-free treatment to qualifying apparel imported from lesser developed countries, including Bangladesh and Cambodia, extend duty-free or reduced duty treatment to certain qualifying apparel imported from the Philippines, and extend duty-free treatment to certain apparel manufactured in "reconstruction opportunity zones" in Afghanistan and Pakistan. In addition, the United States Congress has approved and the president has signed three new free trade agreements with South Korea, Colombia and Panama. These agreements are pending final implementing steps in the affected countries and a

U.S. presidential proclamation before they will become effective. The United States also launched free trade negotiations with a group of countries under the umbrella of the Trans-Pacific Partnership ("TPP"). Countries participating in the TPP negotiations at this time are Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam. Any of these proposals or agreements may negatively affect our competitive position in the United States.

Furthermore, U.S. domestic industry groups have threatened to seek various trade remedies, including a section 421 action, under the terms of the U.S.-China World Trade Organization accession agreement, against apparel imports from China which could result in higher duty rates or tariff rate quotas for Chinese apparel and improve our competitive position in affected product classifications. Since the expiration of U.S. safeguard actions that imposed quotas on annual imports of certain categories of Chinese originating textiles and apparel at the end of 2008, ordinary import duties have been in effect. Any action taken by the United States under section 421 would be required to expire under the terms of the accession agreement in 2013.

In August 2011, the governments of Canada and Honduras announced the signing of a free trade agreement between the two countries. Once ratified, the agreement will enable qualifying textiles and apparel from Honduras to benefit from duty-free access into the Canadian market.

Imports into the Mexican market may qualify for trade preferences from various free trade agreements such as the Mexico-Costa Rica Free Trade Agreement, the Mexico-Nicaragua Free Trade Agreement, and the Mexico-Northern Triangle Regional Trade Agreement, which includes El Salvador, Guatemala and Honduras as member countries. Furthermore, the import tariff rates on textile and apparel articles imported into Mexico will gradually be reduced by 2013. Special safeguard measures (“Medidas Transitorias”) in Mexico, which are currently in effect on China-originating apparel, will be gradually eliminated on December 11, 2011.

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. The European Union also maintains a Generalized System of Preferences (“GSP”) and the Africa-Caribbean-Pacific programs that allow duty-free entry into the European Union of qualifying articles, including apparel, from developing countries such as Honduras and Nicaragua, and least developed countries, including Haiti. Recent amendments regarding the reform of certain of the GSP provisions including the rules of origin have not yet come into effect. The new provisions will further enhance duty-free access to the European Union of qualifying apparel articles. However, the European Union and the Central American countries, such as Honduras and Nicaragua, completed the legal text of an EU-Central America Association Agreement in April 2011, also allowing duty free entry into the European Union of qualifying apparel articles. The Association Agreement, once enacted, would supersede the eligibility for the GSP trade preference of the signatory Central American countries. Also in April 2011, the European Union completed legal texts of similar agreements with Colombia and Peru. The impact of the enactment of the Association Agreement and the agreements with Colombia and Peru on our operations cannot be ascertained at this time. Other European Union trade agreements, known as Economic Partnership Agreements, are already in effect with Mexico and several of the Caribbean states.

Proposed legislation in the European Union would, if adopted, extend duty-free treatment to qualifying apparel imported from Pakistan. Such legislation, if enacted, could negatively affect our competitive position in the European Union.

As of July 2010, The People’s Republic of China extended duty-free and quota-free trade benefits awarded to Bangladesh under the Asia-Pacific Trade Agreement to include certain chief-weight cotton apparel articles made in Bangladesh.

The likelihood that any of these measures will be adopted and the extent of their impact on our business cannot be determined with certainty.

Product Safety Regulation

We are subject to consumer product safety laws and regulations that could affect our business. In the United States, we are subject to the Consumer Product Safety Act, as amended by the Consumer Product Safety Improvement Act of 2008, to the Federal Hazardous Substances Act, to the Flammable Fabrics Act, and to the rules and regulations promulgated pursuant to such statutes. Such laws provide for substantial penalties for non-compliance. These statutes and regulations include requirements for testing and certification for flammability of wearing apparel, for lead content and lead in surface coatings in children’s products, and for phthalate content in

child care articles, including plasticized components of children's sleepwear. As of December 31, 2011, when the Consumer Product Safety Commission (the "CPSC") lifts its stay of enforcement with respect to phthalate testing and certification, the CPSC should be actively enforcing all of the requirements listed above. In addition, we are also subject to similar laws and regulations in the various individual states in which our products are sold.

In Canada, we are subject to similar laws and regulations, the most significant of which are the Hazardous Products Act (the "HPA") and the Canada Consumer Product Safety Act (the "CCPSA"). The CCPSA came into force on June 20, 2011. It is aimed at emphasizing industry's responsibility to provide safe products, strengthening enforcement authorities, providing more and better information for the public, improving the safety of imported products, ensuring better record keeping, and instituting mandatory reporting. Regulations currently in place under the HPA will be incorporated into the CCPSA or, where necessary because of structural differences between the two statutes, replaced by new CCPSA regulations. For example, the CCPSA's Children's Sleepwear Regulations replaced the HPA's Hazardous Products (Children's Sleepwear) Regulations. The CCPSA also provides for new regulations, such as the textile flammability regulations. As under U.S. laws, surface coatings and phthalates are also regulated under the CCPSA.

In the European Union, we are also subject to product safety regulations, the most significant of which are imposed pursuant to the General Product Safety Directive. We are also subject to similar laws and regulations in the other jurisdictions in which our products are sold.

Although we believe that we are in compliance in all material respects with applicable product safety laws and regulations in the jurisdictions in which we operate, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be reasonably determined.

Intellectual Property

We own several registered trademarks including, among others, the Gildan® trademark in Canada, the United States and in the European Community as well as in many countries in Central America, South America and Asia-Pacific, including Australia. Applications for the registration of the Gildan® trademark, as well as for the Ultra Cotton™, DryBlend™ and Gildan Softstyle™ trademarks, are also pending in several countries. As a result of the acquisition of Gold Toe Moretz, we now also own the iconic Gold Toe® trademark, as well as the Silver Toe®, GT®, Auro®, PowerSox®, All Pro® and Soleution® trademarks, and we will further expand registration of these marks internationally. Gold Toe Moretz is also the exclusive licensee for Under Armour® branded socks in the U.S., Canada, the United Kingdom and Ireland and the exclusive U.S. licensee for New Balance® branded socks.

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.

Social and Environmental Responsibility

Our social and environmental responsibility program encompasses four major areas of focus:

- *People well-being:* Commitment to industry-leading working conditions and labour practices at each of our worldwide locations;
- *Community engagement:* Commitment to our neighbours through dedicated support for youth and humanitarian aid;
- *Environmental protection:* Commitment to the development and implementation of leading and innovative environmental solutions that reduce the impact of our operations throughout our entire supply chain; and
- *Product sustainability:* Commitment to a responsible product line through sustainable solutions.

Social Compliance

We provide favourable working conditions for all our employees. All of Gildan's operations are governed by the Company's Code of Conduct, which is based on the International Labour Organization Conventions and which also encompasses elements set forth by the Fair Labor Association ("FLA") and the Worldwide Responsible Accredited Production ("WRAP"), as well as best practices commonly agreed upon in the area of corporate responsibility.

We have implemented internal and external monitoring programs that permit us to verify compliance with local labour laws, as well as with internationally recognized labour standards. Until 2007, the majority of our social compliance monitoring was performed by external third-party auditors. In fiscal 2007, we successfully began internal monitoring audits that complement these external independent audits. Independent third-party monitors also regularly audit our plants, both on an announced and unannounced basis. During fiscal 2011, 63 audits were performed in our facilities and in the facilities of our third-party contractors. Over 35% of these audits were carried out by third-party auditors, 43% of which were mandated by our customers.

Since 2002, all of our mature sewing facilities, and our contractors' facilities in Haiti have been certified by WRAP, an independent, non-profit organization dedicated to the promotion and certification of lawful, humane and ethical manufacturing throughout the world. WRAP, through independent third-party verification, certifies facilities that comply with its Code of Conduct. All of our third-party sewing contractors are contractually required to follow prescribed employment policies as well as our Code of Conduct.

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 fiscal 2007, the FLA accorded accreditation status to our labour compliance program.

Environmental Compliance

Gildan operates within the guidelines and practices set forth in its Environmental Code of Practice. The thrust of our environmental program is to reduce our environmental impact and to preserve the external natural resources the Company utilizes. Innovative systems such as the biotop, a biological wastewater treatment system, and our biomass steam generation systems are some of the sustainable practices we have put in place. The Company monitors, controls and manages other environmental issues through policies which include, but are not limited to, the recycling and creation of measures for waste prevention, minimization, recovery and treatment at all stages of the production cycle including the off-site disposal of any hazardous waste.

We are subject to various federal, state and local environmental and occupational health and safety laws and regulations in the jurisdictions in which we operate, concerning, among other things, wastewater discharges, storm water flows, and solid waste disposal. Our manufacturing plants generate small quantities of hazardous waste, which are either recycled or disposed of off-site. As part of our Corporate Environmental Policy, we monitor, control and manage environmental issues through policies including, but not limited to, recycling and creation of measures for waste prevention, minimization, recovery and treatment at all stages of the production cycle, including the off-site disposal of any hazardous waste. 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 incur capital and other expenditures each year that are aimed at achieving compliance with current environmental standards. For example, Gildan renews annually its OEKO-TEX® Standard 100 certification for its entire product line, including socks, underwear, t-shirts, sport shirts and fleece products. OEKO-TEX® Standard 100 is an internationally recognized testing and certification system, the goal of which is to ensure that products are free of harmful substances. Companies which have their products certified under the Oeko-Tex® Standard 100 can demonstrate to consumers that their products are totally safe in terms of human ecology, and have been manufactured in environmentally conscious companies.

For fiscal 2011, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Company's capital expenditures, earnings and competitive position. Although we do not expect that the amount of these expenditures in the future will have a material adverse effect on our operations, financial condition or liquidity, there can be no assurance that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional environmental remediation expenditures or result in a disruption to our supply chain that could have a material adverse effect on our business. Although we believe that we are in compliance in all material respects with the regulatory requirements of the jurisdictions in which our facilities are located, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be reasonably determined.

For more information on our Gildan Genuine Stewardship program, you can visit www.genuinegildan.com.

3.2 Risk Factors

Please see the "Critical Accounting Estimates", "Financial Risk Management" and the "Risks and Uncertainties" sections of our 2011 Annual MD&A beginning on page 26, page 21 and page 38, respectively, which are incorporated herein by reference.

3.3 Employees

As at October 2, 2011, we employed approximately 29,500 full-time employees worldwide. We consider our relations with our employees to be good and, as of the date hereof, we have not experienced any work stoppages that have had a material impact on our operations. During fiscal 2010, a union membership drive at our textile manufacturing facility in the Dominican Republic led to the execution of a collective bargaining agreement with a union registered with the Dominican Ministry of Labor, covering approximately 900 employees. The collective bargaining agreement was terminated in February 2011 upon the mutual consent of the Company and the union, although the union continues to claim to represent a majority of the factory workers. Notwithstanding the termination of the agreement, the Company is continuing to provide all of the benefits to the employees covered by the original agreement. A second union is also claiming that it represents the majority of the workers at the plant and has filed a third-party complaint alleging violation of freedom of association with the FLA. The Company collaborated with the FLA in the verification of the majority representation claim of the second union and has now agreed to enter into negotiations with this union for the purposes of completing a collective bargaining agreement.

4. DIVIDEND POLICY

In December 2010, the Company announced the adoption of a dividend policy which aims to declare and pay cash dividends on a quarterly basis beginning in fiscal 2011. Prior to fiscal 2011, the Board of Directors of the Company had never declared a dividend and had retained the Company's earnings to take advantage of opportunities to develop and expand its business. The Board of Directors will consider several factors when deciding to declare quarterly cash dividends, which factors shall include the Company's present and future earnings, cash flows, capital requirements and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash 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 payment of dividends under our dividend policy.

5. CAPITAL STRUCTURE

5.1 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 Company ("Articles").

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.

5.2 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.

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.

5.3 Common Shares

Following the conversion of all of the Company's Class B Multiple Voting shares into Class A Subordinate Voting shares, the Company's shareholders approved a special resolution on February 2, 2005 to amend the Company'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 Company and the right to receive the remaining property and assets of the Company on dissolution.

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

6. MARKET FOR SECURITIES

The Common Shares are listed on the NYSE and 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), on a post-split basis, 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 October 2, 2011 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 (1)**	**Month**	**High**	**Low**	**Trading Volume (2)**
October 4 to 31, 2010	30.30	26.97	6,966,237	October 4 to 31, 2010	29.92	26.24	2,594,080
November 2010	31.22	26.52	14,869,069	November 2010	30.40	26.29	3,469,880
December 2010	31.55	28.05	10,131,016	December 2010	31.04	27.59	3,765,114
January 2011	29.61	27.50	7,824,153	January 2011	29.59	27.51	2,447,788
February 2011	31.85	28.75	12,883,444	February 2011	32.33	29.09	3,064,169
March 2011	32.47	29.45	5,929,394	March 2011	33.17	30.18	2,614,318
April 2011	36.12	30.45	10,488,327	April 2011	37.92	31.83	3,141,748
May 2011	36.47	33.70	6,785,932	May 2011	38.07	34.54	2,848,109
June 2011	36.46	31.79	6,086,796	June 2011	37.55	32.35	4,238,693
July 2011	36.00	28.36	8,753,506	July 2011	37.41	29.62	4,655,065
August 2011	28.18	23.80	14,001,474	August 2011	30.13	24.05	7,413,166
September 2011	29.07	24.90	9,498,123	September 2011	29.32	25.08	3,179,143

(1) The trading volumes do not reflect any trades done on "alternative trading systems" and only represent approximately 66% of all trades executed in Canada.

(2) The trading volumes do not reflect any trades done on "alternative trading systems" and only represent approximately 32% of all trades executed in United States.

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 Company	May 1984
William D. Anderson [(1)(3)] Toronto, Ontario, Canada	Corporate Director	May 2006
Russell Goodman [(1) (2)] Mont Tremblant, Québec, Canada	Corporate Director	December 2010

Name and Municipality of Residence	Principal Occupation	Director Since
George Heller(1)(3) Toronto, Ontario, Canada	Corporate Director	December 2009
Sheila O'Brien (2)(3) Calgary, Alberta, Canada	Corporate Director and Business Advisor President of Belvedere 1 Investments Ltd. (private investment company)	June 2005
Pierre Robitaille(1)(2) St-Lambert, Québec, Canada	Corporate Director	February 2003
James R. Scarborough(2)(3) Wolfeboro, New Hampshire, United States	Corporate Director	December 2009
Richard P. Strubel (1)(3) Chicago, Illinois, United States	Corporate Director	February 1999
Gonzalo F. Valdes-Fauli(1)(2) Key Biscayne, Florida, United States	Corporate Director Chairman of BroadSpan Capital LLC (investment banking firm)	October 2004

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(1) Member of the Audit and Finance Committee.
(2) Member of the Corporate Governance Committee.
(3) Member of the Compensation and Human Resources Committee.
(4) Chairman of the Board.

Listed below is certain information about the executive officers of Gildan in office as of the date hereof.

Name and Municipality of Residence	Position Held Within the Company and Principal Occupation
Glenn J. Chamandy (1) Westmount, Québec, Canada	President, Chief Executive Officer and Director
Laurence G. Sellyn (1) Beaconsfield, Québec, Canada	Executive Vice-President, Chief Financial and Administrative Officer
Michael R. Hoffman St. James, Barbados	President, Gildan Activewear SRL
Georges Sam Yu Sum (1) Hampstead, Québec, Canada	Executive Vice-President, Operations
Benito Masi (1) Laval, Québec, Canada	Executive Vice-President, Manufacturing
Eric R. Lehman Charleston, South Carolina, United States	President, Retail Sales

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(1) Officer of the Company.

Glenn J. Chamandy is one of the founders of the Company and has devoted his entire career to building 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 is Chairman of the Board of the Company and will be retiring from the Board of Directors in February 2012. Mr. Baylis is also Lead Director of Host Hotels & Resorts, Inc., a major corporation operating luxury hotels and resorts. Mr. Baylis serves as Trustee and Chairman of the Executive Committee of the Rubin Museum of Art in New York City and as Trustee and Chairman of the Audit Committee of the Woods Hole Oceanographic Institution. Mr. Baylis is also a member of the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology. He was formerly a director of the New York Life Insurance Company (life insurance provider), Covance Inc. (drug development), Partner Re Limited (reinsurance), 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 the 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 at Harvard Business School, and is a Chartered Financial Analyst.

William D. Anderson has had a career as a business leader in Canada spanning over thirty years. Mr. Anderson joined the Bell Canada organization in 1992 where, from 1998 to 2001, he served as Chief Financial Officer of BCE Inc., Canada's largest telecommunications company. From 2001 to 2005, Mr. Anderson served as President of BCE Ventures, the strategic investment unit of BCE Inc. and, from 2001 to 2007, he was the Chairman and Chief Executive Officer of Bell Canada International Inc., a subsidiary of BCE Inc. 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 is also Chairman of the Board of Nordion Inc., formerly known as MDS Inc. (global life sciences company) and serves on the board of directors of TransAlta Corporation (power generation and energy marketing firm), where he is also Chairman of the Audit and Risk Committee. He also serves on the board of directors of Sun Life Financial Inc., an international financial services organization. The Board of Directors intends to appoint Mr. Anderson as the Chairman of the Board following the retirement of Robert M. Baylis in February 2012. Mr. Anderson was educated at the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario.

Russell Goodman is a corporate director. From 1998 to June 2011, Mr. Goodman was a senior partner of PricewaterhouseCoopers LLP, where he served successively as Managing Partner of Project Finance and Privatization for the Americas, Managing Partner of the Montreal office, and Canadian Managing Partner of the Transactions business. Prior to the formation of PricewaterhouseCoopers in 1998, Mr. Goodman served for twenty-one years with Price Waterhouse LLP, including eleven years as a partner. Mr. Goodman is a member of the board of directors of Forth Ports Limited, which owns and operates major sea and container ports in the United Kingdom, and is also a member of the board of directors of Whistler Blackcomb Holdings Inc. (North America's largest ski resort), where he is also Chairman of the Audit Committee and a member of the Compensation Committee. Mr. Goodman is, as well, a member of the Independent Review Committee of Investors Group Inc. (mutual funds). He also serves on a number of advisory and not-for-profit boards, including the Pointe-à-Callière Foundation, where is Chairman of the Board. He previously served as President of the Canadian Club of Montreal. He is a Fellow of the Order of Chartered Accountants of Quebec and is certified by the Institute of Corporate Directors. Mr. Goodman was educated at McGill University.

George Heller has had a career as a business leader in the retail sector that spans over forty years. From 1999 to 2006, Mr. Heller served as President and Chief Executive Officer of the Hudson's Bay Company, Canada's largest diversified general merchandise retailer, operating more than 600 retail outlets in Canada under four banners: the Bay, Zellers, Home Outfitters and Fields. Prior to that, Mr. Heller was President and Chief Executive Officer of Zellers, the mass merchandise retailer of the Hudson's Bay Company and a leading Canadian mass merchandise department store. Mr. Heller has also held a number of other key positions in the retail industry, including as President and Chief Executive Officer of Kmart Canada (discount department stores), President, North America & Europe of Bata Industries Ltd. (international footwear manufacturer) and Executive Vice-President of Woodwards Department Stores (department store chain). Mr. Heller also served as President and Chief Executive Officer of the Victoria Commonwealth Games. Mr. Heller currently serves as President of the Commonwealth Games of Canada Foundation (a fundraising organization for amateur athletes) and is a member of its board of directors. Mr. Heller also serves on the board of the Asia Pacific Foundation of Canada, a not-for-profit think-tank on Canada's relations with Asia, where he is Chair of the Investment Committee. Mr. Heller has acted since 2008 as Honorary Consul General of Thailand and as Honorary Trade Advisor to the Government of Thailand since 2000. Mr. Heller has received Honorary Doctorates from Ryerson University and the University of Victoria.

Sheila O'Brien, CM, is President of Belvedere 1 Investments Ltd., and serves as 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 in Canada, the United States and Europe. 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 worldwide 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 board of directors of MaRS (Medical and Related Sciences), where she is Chair of the Human Resources and Corporate Governance Committee and she serves on the board of Advantage Energy Corporation, a Calgary-based oil and gas company. In addition to her corporate career, she has acted as a special advisor to the president at the University of Calgary. Ms. O'Brien is the co-author of two books, "An Extraordinary West – A Narrative Exploration of Western Canada's Future" published in November

2010, and “Catching a Rising Tide: A Western Energy Vision for Canada” published in November 2011. 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 corporate director. Mr. Robitaille previously pursued his career at SNC-Lavalin Group Inc., a global engineering and 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 Ernst & Whinney, where he held the positions of Managing Partner of the Montreal office, President of the firm in Québec, and member of its national board of directors. Mr. Robitaille also serves on the board of directors and is the Chair of the Audit Committee of Nav Canada, a civil air navigation services provider. Mr. Robitaille is a Fellow member of the Québec Order of Chartered Accountants. He was educated at HEC-Montreal and McGill University Business School.

James R. Scarborough has had a career as a business leader in the retail industry that spans over thirty-eight years. Mr. Scarborough retired in June 2010 as Chairman of the Board of Stage Stores, Inc., a U.S.-based specialty department store retailer that operates over 780 department stores in thirty-nine states under five banners: Bealls, Goody’s, Palais Royal, Peebles, and Stage. Mr. Scarborough joined Stage Stores in 2000 as its President and Chief Executive Officer, and held this position until his retirement in 2008. Mr. Scarborough previously held other senior positions in the retail sector, including President and Chief Executive Officer of Busy Body, Inc., a specialty retailer of premium fitness equipment, and Seattle Lighting, Inc., a supplier of lighting fixtures to the homebuilder, commercial and retail markets, as well as President and Chief Operating Officer of Enstar Specialty Retail, Inc., a footwear and women’s apparel retailer, and its subsidiary AMRET, Inc. Mr. Scarborough began his retail career in 1972, at Filene’s of Boston, a division of Federated Department Stores. Mr. Scarborough also serves on the board of directors and is Chair of the Compensation Committee of Charming Charlie, Inc., a women’s fashion accessories house. Mr. Scarborough was educated at St. Michael’s College in Vermont, United States.

Richard P. Strubel is a corporate director. Prior to 2008, he was 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 board of directors of the mutual funds of Goldman Sachs & Co. and is Chairman of the Board of the Northern Funds of Northern Trust. Mr. Strubel is also Trustee of the University of Chicago. Mr. Strubel was educated at Williams College and 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 Chief Executive Officer, Latin America. Mr. Valdes-Fauli also serves on the board of directors of Blue Cross Shield of Florida (health insurance provider), and was Chairman of the Board of Republic Bank of Dominican Republic (financial services provider) until November 2007. He is 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 Company in November 2005. He joined Gildan as Executive Vice-President, Finance and Chief Financial Officer of the Company in April 1999. 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. Mr. Sellyn is a Fellow of the Institute of Chartered Accountants of England and Wales and a graduate of Oxford University. Mr. Sellyn is on the Advisory Board of Héritage Montréal, and acts as Co-Chairman of their fundraising campaign.

Michael R. Hoffman joined Gildan in October 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 Company since 2000. From 1998 to 2000, he served as Vice-President, Operations of the Company and from 1995 to 1998, he served as its Director of Operations. 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, and since then has held various positions in the Company. 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.

Eric R. Lehman joined Gildan in December 2006 as Executive Vice-President, Supply Chain. In November 2008, Mr. Lehman's responsibilities were expanded to include information technology and operational excellence and his title changed to Executive Vice-President, Supply Chain, Information Technology and Operational Excellence until his appointment as President, Retail Sales in January 2011. 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 9, 2011, the executive officers and directors of the Company as a group own 10,282,477 Common Shares, which represents 8.5% of the voting rights attached to all Common Shares.

8. AUDIT AND FINANCE COMMITTEE DISCLOSURE

8.1 Mandate of the Audit and Finance Committee

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

8.2 Composition of the Audit and Finance Committee

The Audit and Finance Committee is composed of six independent and financially literate directors, as such terms are defined under Canadian and U.S. securities laws and regulations, and in accordance with the NYSE Corporate Governance Standards. Their education and experience relevant to the performance of their responsibilities as members of the Audit and Finance Committee are as follows:

William D. Anderson – Mr. Anderson is the Chairman of the Audit and Finance Committee. He is a chartered accountant and has a business career spanning over thirty years. He joined the Bell Canada organization in 1992, and from 1998 to 2001 he served as Chief Financial Officer of BCE Inc. From 2001 to 2005 he was the President of BCE Ventures, and from 2001 to 2007 served as the Chairman and Chief Executive Officer of Bell Canada International Inc. Prior to his career at the Bell Canada organization, Mr. Anderson was with the accounting firm KPMG for nearly twenty years, including eleven years as a partner. Mr. Anderson is also the Chairman of the Audit and Risk Committee of TransAlta Corporation, and serves on the Audit and Risk Review Committees of Sun Life Financial Inc. Mr. Anderson is a Fellow of the Institute of Chartered Accountants of Ontario.

Russell Goodman – Mr. Goodman is a corporate director. He was previously a senior partner at PricewaterhouseCoopers, where he served successively until June 2011 as Managing Partner of Project Finance and Privatization for the Americas, as Managing Partner of the Montreal office, and as Canadian Managing Partner of the Transactions Advisory Services group. Prior to the formation of PricewaterhouseCoopers in 1998, he served twenty-one years with Price Waterhouse, including eleven years as a partner. Mr. Goodman is also the Chairman of the Audit Committee of Whistler Blackcomb Holdings Inc. Mr. Goodman is a Fellow of the Order of Chartered Accountants of Quebec, a Certified Fraud Examiner, and is certified by the Institute of Corporate Directors.

George Heller – Mr. Heller is a corporate director. He is the retired President and Chief Executive Officer of the Hudson's Bay Company, a position he held from 1999 to 2006. Prior to his career at the Hudson's Bay Company, Mr. Heller held several key executive positions in the retail industry, including President and Chief Executive Officer of Zellers, President and Chief Executive Officer of Kmart, President – North America and Europe of Bata Industries Ltd., and Executive Vice-President of Woodwards Department Stores. He also served as President and Chief Executive Officer of the Victoria Commonwealth Games, and is currently President of the Commonwealth Games of Canada Foundation.

Pierre Robitaille – Mr. Robitaille is a business advisor and corporate director. He was previously Executive Vice-President and Chief Financial Officer at SNC-Lavalin Group Inc., a position he held from 1990 to 1998. Prior to his career at SNC-Lavalin Group Inc., Mr. Robitaille worked more than twenty years with the public accounting and management services firm Ernst & Whinney, including ten years as Audit Partner, and served as Managing Partner of the Montreal office and as President of the firm in Quebec. He has served on audit committees of several listed companies, and is currently the Chair of the Audit Committee of Nav Canada. Mr. Robitaille is a Fellow of the Order of Chartered Accountants of Quebec. He was educated at HEC-Montreal and McGill Business School.

Richard P. Strubel – Mr. Strubel is a corporate director. He was previously President and Chief Operating Officer of Cardean Learning Group, a position he held from 1999 to 2004, and served as Vice-Chairman of its Board until 2008. Prior to this, Mr. Strubel had an extensive career as a business executive. He served as Managing Director of Tandem Partners Inc., as President and Chief Executive Officer of Microdot Inc., and as President of Northwest Industries. Mr. Strubel also has extensive experience serving on several boards of directors, including as a member of audit committees. Mr. Strubel was educated at Williams College and Harvard Business School.

Gonzalo F. Valdes-Fauli – Mr. Valdes-Fauli is a corporate director. He retired from Barclays Bank PLC in 2001, where he held the position of Vice-Chairman, Barclays Capital, and served as Group Chief Executive Officer of Barclays Bank Latin America from 1988 to 2001. Mr. Valdes-Fauli 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.

8.3 Pre-Approval of Non-Audit Services

In accordance with the Code of Ethics of Chartered Accountants of Quebec's independence standards for auditors, the *Sarbanes-Oxley Act of 2002* and rules of the U.S. Securities and Exchange Commission, the Company is restricted from engaging its external auditor to provide certain non-audit services to the Company 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 Company does engage its external auditor 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.

8.4 External Auditor Service Fees

The aggregate fees billed by KPMG LLP ("KPMG"), the Company's external auditor, for various audit-related and non-audit services rendered for the fiscal years 2011 and 2010 were as follows:

Audit Fees — The aggregate audit fees billed by KPMG were Cdn$1,752,531 for fiscal 2011 and Cdn$1,500,608 for fiscal 2010. These services consisted of professional services rendered for the annual audit of the Company's consolidated financial statements and the quarterly reviews of the Company's interim financial statements, consultation concerning financial reporting and accounting standards, including assistance in preparing the Company for compliance with the requirements of International Financial Reporting Standards, and services provided in connection with statutory and regulatory filings or engagements. The fees for the annual audit of the Company's consolidated financial statements include fees relating to KPMG's audit of the effectiveness of the Company's internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were Cdn$418,610 for fiscal 2011 and Cdn$786,003 for fiscal 2010. These services consisted of due diligence services relating to actual and potential acquisitions and also translation services in both years. Such due diligence services related primarily to financial accounting and internal control issues.

Tax Fees — The aggregate tax fees billed by KPMG were Cdn$795,810 for fiscal 2011 and Cdn$416,780 for fiscal 2010. 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, and tax advisory services relating to domestic and international taxation.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were nil for both fiscal 2011 and fiscal 2010.

9. LEGAL PROCEEDINGS

With the exception of the legal proceedings mentioned below, the Company is only a party to claims and litigation arising in the normal course of its operations. While we cannot predict the final outcome of the claims and litigation arising in the normal course of the Company's operations, management does not currently expect the resolution of these matters to have a material adverse effect on the consolidated financial position or results of operations of Gildan.

As of the date hereof, the proceedings with respect to which Gildan was a party to or involved in during fiscal 2011, for claimed damages in excess of 10% of its current assets, were the following:

Class Action Suits

The Company and certain of its senior officers were named as defendants in a number of class action lawsuits filed in the United States District Court for the Southern District of New York, which were subsequently consolidated, alleging claims under the U.S. securities laws, as well as in class action lawsuits filed in the Ontario Superior Court of Justice and in the Quebec Superior Court. Each of these U.S. and Canadian lawsuits alleged, among other things, that the defendants misrepresented the Company's financial condition and its financial prospects in its earnings guidance concerning the 2008 fiscal year, which guidance was subsequently revised on April 29, 2008. The Ontario suit claimed damages of Cdn$500 million, punitive damages of Cdn$5 million and other monetary relief. The Québec suit was for unspecified damages and other monetary relief and the claims in the U.S. suit were for unspecified damages.

On August 3, 2010, the Company announced that it had entered into an agreement to settle all claims raised in these class action lawsuits, subject to final approval from the courts, on behalf of all persons who acquired the Company's Common Shares between August 2, 2007 and April 29, 2008 (the "Class Members"). Final court approval of the settlement was obtained from each of the courts in February and March 2011 and all of the actions have been dismissed on terms including releases from Class Members of the claims against the Company and the named senior officers. The settlement agreement provided for a total settlement amount of $22.5 million, which has been entirely funded by the Company's insurers. Therefore no provision has been recorded in the consolidated financial statements and no amounts have been disbursed by the Company in respect of the settlement.

10. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company 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 Company is Computershare Trust Company, N.A., having an office in Golden, Colorado.

11. MATERIAL CONTRACTS

Other than the agreements entered into during the normal course of business, the only material agreements entered into in fiscal 2011, or before fiscal 2011 and which are still in force, are the following:

- The Merger Agreement dated April 11, 2011 by and among Gildan USA Inc., Midas Acquisition Corp., Gold Toe Moretz Holdings Corp. and Blackstone Capital Partners V L.P. This agreement was filed through SEDAR on June 28, 2011; and

- The Shareholder Rights Plan Agreement approved by the Board of Directors on December 1, 2010, and which was subsequently submitted to the Company's shareholders for ratification at the annual shareholders' meeting on February 9, 2011. This agreement was filed through SEDAR on December 3, 2010.

12. INTERESTS OF EXPERTS

KPMG, the external auditor of the Company, reported on the 2011 Financial Statements, 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 the *Ordre des Comptables agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

13. FORWARD – LOOKING STATEMENTS

Certain statements included in this Annual Information Form 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", "project", "assume", "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 "Critical Accounting Estimates" and "Financial Risk Management" sections beginning on page 26 and page 21 of the 2011 Annual MD&A, respectively, and the risks described under the section "Risks and Uncertainties" beginning on page 38 of the 2011 Annual MD&A 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.

Forward-looking information is inherently uncertain and 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:

- our ability to implement our growth strategies and plans, including achieving market share gains, implementing cost reduction initiatives and completing and successfully integrating acquisitions;
- the intensity of competitive activity and our ability to compete effectively;
- adverse changes in general economic and financial conditions globally or in one or more of the markets we serve;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit contractually to minimum quantity purchases;
- our ability to anticipate changes in consumer preferences and trends;
- our ability to manage production and inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton and polyester fibres;
- our dependence on key suppliers and our ability to maintain an uninterrupted supply of raw materials and finished goods;
- the impact of climate, political, social and economic risks in the countries in which we operate or from which we source production;
- disruption to manufacturing and distribution activities due to labour disruptions, political instability, bad weather, natural disasters, pandemics and other unforeseen adverse events;
- changes to international trade legislation that the Company is currently relying on in conducting its manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- compliance with applicable environmental, tax, trade, employment, health and safety, and other laws and regulations in the jurisdictions in which we operate;
- our significant reliance on computerized information systems for our business operations;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;

- negative publicity as a result of violation of local labour laws or international labour standards, or unethical labour or other business practices by the Company or one of its third-party contractors;
- our dependence on key management and our ability to attract and/or retain key personnel;
- changes to and failure to comply with consumer product safety laws and regulations;
- adverse changes in third party licensing arrangements and licensed brands;
- our ability to protect our intellectual property rights;
- changes in accounting policies and estimates; and
- exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices.

These factors 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, may have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset write-downs, asset impairment losses 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.

There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's fiscal 2012 financial performance and may not be appropriate for other purposes. 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 Company's securities and securities authorized for issuance under the Company's equity compensation plans is contained in the management proxy circular for its most recent annual meeting of security holders that involve the election of directors. Additional financial information is provided in the 2011 Financial Statements and the 2011 Annual MD&A for its most recently completed financial year, both of which are incorporated herein by reference.

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:

600 de Maisonneuve Boulevard West, 33rd Floor
Montreal, Québec
H3A 3J2
Telephone: (514) 735-2023

The documents mentioned above, as well as Gildan's news releases, are also available on the Company'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 Company 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 Company (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 Company or any of its subsidiaries (including any person who, directly or indirectly, controls or is controlled by, or is under common control with the Company, 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 Company or any of its affiliates other than compensation as a director and committee member of the Company; 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 Company'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 Company'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;
- the chair of the Compensation and Human Resources committee of the Corporation is a member of the Audit Committee;
- quorum of majority of members.

2. Frequency and Timing of Meetings

- normally contemporaneously with the Company'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 Company'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 of the Corporation and accompanying information, including the report of the auditors thereon to be included in the Annual Report of the Corporation, 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 Company and accompanying information, including the Company's MD&A disclosure and quarterly earnings press release, prior to their release, filing and distribution;
- reviewing, with management and, where appropriate the 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 Company 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 and other stakeholders;
- reviewing, with management, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company'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 Company'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 Company 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 Company;
- reviewing at least annually the Company'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 Company's disclosure controls and procedures;
- receiving periodically management's reports assessing the adequacy and effectiveness of the Corporation's systems of internal control over financial reporting; and reviewing the report of the auditors thereon;
- 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 the Corporation's policies and parameters regarding hedging activity and derivatives contracts entered into by management in order to address risks associated with foreign exchange fluctuations, commodity prices, interest rates and any other risks where the Corporation enters into derivatives contracts;
- assisting the Board with the oversight of the Company's compliance with, and reviewing the Company'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 Company 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 Company'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 Company 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 Company 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 Company'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 Company 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 Company'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 Company'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 Company, 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 Company'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 Company 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. In addition, at least once a quarter, and more frequently as required, the Audit Committee

meets separately with management and also without management or any non-independent directors present.

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 Company'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 Company'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 Company 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 Company'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 such securities.

B. Consent to Service of Process

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

C. Evaluation of disclosure controls and procedures

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

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

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

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

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

Under the supervision and with the participation of our principal executive officer and our principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of October 2, 2011, based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

Management's assessment of the effectiveness of our internal control over financial reporting as of October 2, 2011 excluded Gold Toe Moretz Holdings Corp. ("Gold Toe Moretz"), which we acquired on April 15, 2011. Gold Toe Moretz is a wholly-owned subsidiary of ours whose total assets and total net sales represented approximately 24% of our consolidated total assets and approximately 7% of our consolidated net sales, respectively, as of and for the year ended October 2, 2011.

E. Attestation report of the registered public accounting firm.

KPMG LLP ("KPMG"), an independent registered public accounting firm, that 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 October 2, 2011. The attestation report is included on page 52 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 2011 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 four (4) audit committee financial experts serving on its Audit and Finance Committee. Mr. William D. Anderson, Mr. Russell Goodman, Mr. Pierre Robitaille, and Mr. Gonzalo F. Valdes-Fauli have been determined to be such audit committee financial experts and are independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Registrant. The SEC has indicated that the designation of Mr. Anderson, Mr. Goodman, Mr. Robitaille, and Mr. Valdes-Fauli as audit committee financial experts does not make Mr. Anderson, Mr. Goodman, Mr. Robitaille, and Mr. Valdes-Fauli "experts" for any purpose, impose any duties, obligations or liability on Mr. Anderson, Mr. Goodman, Mr. Robitaille, and Mr. Valdes-Fauli that are greater than those imposed on members of the Audit and Finance 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 and Finance Committee.

H. Code of Ethics

The Registrant has adopted a Code of Ethics and Code of Conduct (the "Code of Ethics") that applies to all employees and officers, including its principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is available at the Registrant's Internet website, www.gildan.com/corporate/IR/corporateGovernance.cfm, and is available, without charge, 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 2011. 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 were Cdn$1,752,531 for fiscal 2011 and Cdn$1,500,608 for fiscal 2010. These services consisted of professional services rendered for the annual audit of the Company's consolidated financial statements and the quarterly reviews of the Company's interim financial statements, consultation concerning financial reporting and accounting standards, including assistance in preparing the Company for compliance with the requirements of International Financial Reporting Standards, and services provided in connection with statutory and regulatory filings or engagements. The fees for the annual audit of the Company's consolidated financial statements include fees relating to KPMG's audit of the effectiveness of the Company's internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were Cdn$418,610 for fiscal 2011 and Cdn$786,003 for fiscal 2010. These services consisted of due diligence services relating to actual and potential acquisitions and also translation services in both years. Such due diligence services related primarily to financial accounting and internal control issues.

Tax Fees — The aggregate tax fees billed by KPMG were Cdn$795,810 for fiscal 2011 and Cdn$416,780 for fiscal 2010. 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, and tax advisory services relating to domestic and international taxation.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were nil for both fiscal 2011 and fiscal 2010.

All fees billed to the Registrant by KPMG in fiscal 2011 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/corporate/IR/corporateGovernance.cfm.

In fiscal 2011 and fiscal 2010, the Company's Audit and Finance Committee did not approve any audit-related, tax or other services pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

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 19 of its Management's Discussion and Analysis (see Exhibit 99.1) (the "MD&A"). As disclosed in Note 14 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 $15.1 million at October 2, 2011.

Derivative Financial Instruments

From time to time, the Registrant uses forward foreign exchange contracts and zero-cost collar options 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 whereas a zero-cost collar option represents an option to convert foreign currency within a range on a specific date. The Registrant has also entered into a series of interest rate swap contracts to fix the variable interest rates on a designated portion of the borrowings under the revolving long-term credit facility. The Registrant is subject to financial risks related to its exposure to interest rate and foreign currency fluctuations, as well as credit risk in the event of failure by a counterparty to meet its obligations. The Registrant's exposure to financial risks is described in more detail in the "Financial Risk Management" section of its MD&A beginning on page 21 (see Exhibit 99.1) .

The Registrant does not use derivative financial instruments for speculative purposes. Forward foreign exchange contracts and zero-cost collar options are entered into with maturities not exceeding twelve months and interest rate swap contracts are entered into with maturities not exceeding the maturity date of the revolving long-term credit facility.

For the years ended October 2, 2011 and October 3, 2010, net earnings included a recognized loss of $7.0 million and a recognized gain of $3.9 million, respectively, both relating to derivative financial instruments.

As disclosed in Note 22 to the Registrant's Consolidated Financial Statements (see exhibit 99.2), at October 2, 2011 the Registrant had outstanding derivative financial instruments relating to commitments to buy and sell foreign currencies through forward foreign exchange contracts and zero-cost collar options and instruments to fix the variable interest rates on the revolving long-term credit facility. The fair value of the forward foreign exchange contracts, zero-cost collar options and interest rate swap contracts, determined using observable market inputs, was a net liability of $0.7 million as at October 2, 2011 and a net liability of $2.0 million as at October 3, 2010.

K. Tabular Disclosure of Contractual Obligations

See page 19 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/corporate/IR/corporateGovernance.cfm, 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 and Finance Committee are William D. Anderson, George Heller, Pierre Robitaille, Richard P. Strubel, Gonzalo F. Valdez-Fauli, and Russell Goodman, who joined the Audit and Finance Committee in August 2011. Please refer to the section 8 of our Annual Information Form entitled "Audit and Finance Committee Disclosure", included herein, for additional information.

N. Summary of Significant Differences from NYSE Corporate Governance Rules

The Registrant is committed to adopting and adhering to corporate governance practices that either meet or exceed applicable Canadian and U.S. corporate governance standards. As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), the Registrant complies with all applicable rules adopted by the Canadian Securities Administrators as well as the rules of the U.S. Securities and Exchange Commission giving effect to the provisions of the U.S. Sarbanes-Oxley Act of 2002.

Although many of the NYSE Corporate Governance Standards do not apply to the Registrant, it nevertheless voluntarily complies with most of the NYSE Standards. In fact, the Registrant's corporate governance practices differ significantly in only one respect from those required of U.S. domestic issuers under the NYSE Standards, which is with respect to the approval of equity compensation plans. The NYSE Standards require shareholder approval of all equity compensation plans and material revisions to such plans, regardless of whether the securities to be delivered under such plans are newly issued or purchased on the open market, subject to a few limited exceptions. The TSX Rules, however, do not require shareholder approval in all those circumstances. Hence, only the creation or material amendments to equity compensation plans that provide for new issuances of securities are subject to shareholder approval. The Registrant has in place plans which did not require the approval of its shareholders under the TSX Rules but which could have required the approval of its shareholders under the NYSE Standards as applicable to U.S. domestic issuers.

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 9, 2011

GILDAN ACTIVEWEAR INC.

/s/ *Lindsay Matthews*

Name: Lindsay Matthews
Title: Vice-President, General Counsel and Corporate Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	Management's Discussion and Analysis of the Registrant for the year ended October 2, 2011
99.2	Audited comparative consolidated financial statements of the Registrant as at and for the year ended October 2, 2011
99.3	Consent of KPMG LLP
99.4	Reconciliation to United States GAAP
99.5	Officers' Certifications Required by Rule 13a-14(a) or Rule 15d-14(a)
99.6	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

Exhibit 99.1



2011 REPORT TO SHAREHOLDERS

December 9, 2011

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This Management's Discussion and Analysis (MD&A) comments on Gildan's operations, performance and financial condition as at and for the years ended October 2, 2011 and October 3, 2010, 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 2011 audited annual consolidated financial statements and the related notes. This annual MD&A is dated December 9, 2011. All amounts in this report are in U.S. dollars, unless otherwise noted.

All financial information contained in this annual MD&A and in the audited annual consolidated financial statements has been prepared in accordance with Canadian generally accepted accounting principles (GAAP), except for certain information discussed in the paragraph entitled "Definition and Reconciliation of Non-GAAP Measures" in this annual MD&A. The audited annual 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 2011 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 48.

In this annual 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

OUR PRODUCTS AND MARKETS

We are a marketer and global low-cost vertically-integrated manufacturer of quality branded basic apparel. We service customers requiring an efficient supply chain and consistent product quality for high-volume replenishment programs. Gildan® is the leading brand of activewear for the screenprint channel in the U.S. and Canada and the Company is continuing to grow its presence in Europe, Mexico and the Asia-Pacific region. We are also one of the world's largest suppliers of branded and private label athletic, casual and dress socks sold to a broad spectrum of retailers in the U.S. For the year ended October 2, 2011 and prior years, the Company operated in one business segment, being high-volume, basic and frequently replenished apparel. Beginning in the first quarter of fiscal 2012, the Company began managing and reporting the operating results of its business under two separate financial reporting segments, "Screenprint" and "Retail", as described under the section entitled "New Segmented Reporting Structure" in this annual MD&A.

In the screenprint channel, we manufacture and distribute T-shirts, fleece and sport shirts in undecorated "blank" form primarily under our industry leading Gildan® brand in large quantities which are primarily sold to wholesale distributors, which are subsequently sold to screenprinters and embroiderers who decorate the products with designs and logos. Screenprinters and embroiderers then sell the imprinted activewear to a highly diversified range of end-use markets, including educational institutions, athletic dealers, event merchandisers, promotional product distributors, charity organizations, entertainment promoters, and travel and tourism venues. Our activewear products are used in a variety of daily activities by individuals, including work and school uniforms and athletic team wear, and for various other purposes to convey individual, group and team identity. We also provide undecorated products to large branded apparel companies and retailers that sell imprinted activewear and are currently not supplied by our existing U.S. wholesale distributors.

In the U.S. mass-market and other retailer channels, the majority of our sales consist of a variety of styles and brands of socks. We supply various private label and branded sock programs and we are increasingly focused on developing the Gildan® brand within the retail channel. With the recent acquisition of Gold Toe Moretz Holdings Corp. (Gold Toe Moretz), effective April 15, 2011, we now sell a variety of branded athletic, casual and dress socks to national chains, mass-market retailers, price clubs, department stores and specialty sporting goods stores in the United States. The Gold Toe Moretz brand portfolio includes the core Gold Toe® brand, which has high consumer brand recognition in national chains, department stores, and price clubs; the SilverToe® brand for a national chain; the GT® brand which we believe has potential for development in the mass-market; the PowerSox® athletic performance brand which is mainly distributed through sports specialty retailers and national chains; the Auro® dress and casual brand for the mass-market; and All Pro®, an athletic sock brand for the mass-market. In addition, we have contractual licensing relationships, with Under Armour® and New Balance® as the exclusive U.S. sock licensee for these brands. We are also pursuing a strategy to grow our sales of underwear and activewear products in the U.S. retail market, particularly under our company-owned brands.

The vast majority of our products are made of 100% cotton or of blends of cotton and synthetic fibres. Our products are characterized by low-fashion risk compared to other apparel categories since these products are basic, frequently replenished, and since logos and designs for the screenprint market are not imprinted or embroidered by Gildan. The vast majority of our product styles continue from year to year and any variations to products are usually limited to colour assortment, fabric weight, blends and enhancements, with limited design changes.

Our value proposition is based on providing consistent high quality, competitive pricing and fast and flexible replenishment together with our commitment to corporate social responsibility and environmental sustainability. As a vertically-integrated producer which owns and operates the majority of its manufacturing facilities, we are able to provide premium products to customers in a broad range of sizes, colours and styles with enhanced product features, such as pre-shrunk fabrics, and a selection of fabric weights, blends and construction. Our vertical integration has allowed us to reduce costs and ensure consistency of quality for the products we produce. Continued innovations in our manufacturing process have allowed us to ensure colour/shade consistency and high performance of our activewear garments. In addition, innovations in the sock manufacturing process, such as higher needle count machines and seamless toe closing operations allow Gildan to deliver enhanced product features for its sock products. These innovations have resulted in further improving the value proposition of both our activewear and sock products to our customers.

OUR OPERATIONS

Manufacturing Operations

To support our sales in the North American and international markets in which we compete, we have developed two main manufacturing hubs in Central America and the Caribbean Basin where we have built modern textile manufacturing facilities for the production of activewear and underwear fabric, as well as sock manufacturing facilities. We also operate sewing facilities which support the fabric production from our textile facilities. The Company also owns a vertically-integrated manufacturing facility for the production of activewear in Bangladesh, which was acquired in fiscal 2010 as an initial step towards the potential establishment of a manufacturing hub to support our growth in targeted markets in Asia and Europe.

Central American manufacturing hub

Our largest manufacturing hub is based in Honduras and includes three vertically-integrated textile facilities (Rio Nance 1, Rio Nance 2 and Rio Nance 5). During fiscal 2011, we completed the construction of our Rio Nance 5 textile facility and commenced operations at the end of the fiscal year. The textiles produced at the Rio Nance complex are sewn in our sewing facilities in Honduras and Nicaragua. At the same complex, we have also constructed and operate two integrated sock manufacturing facilities (Rio Nance 3 and Rio Nance 4). Rio Nance 4 is our most recent sock facility which began production in April 2010 and is expected to support future sales growth in the sock category, provide the opportunity to consolidate some of the third-party sourced products sold under the Gold Toe Moretz brands and position us to reduce our sock manufacturing costs.

Caribbean Basin manufacturing hub

Our Caribbean Basin manufacturing hub includes a vertically-integrated textile facility for the production of activewear fabric in Bella Vista, Dominican Republic. Textiles produced at our manufacturing facility in the Dominican Republic are sewn at third-party contractor operations in Haiti and at our sewing facility in the Dominican Republic.

Sourcing Operations

The acquisition of Gold Toe Moretz significantly expands our sourcing capabilities. Gold Toe Moretz has long-standing product sourcing network relationships and expertise which are expected to complement Gildan's large scale, vertically-integrated manufacturing. The majority of the Gold Toe Moretz products are currently sourced from third-party suppliers, primarily in Asia. Gold Toe Moretz operates sourcing offices in Asia to facilitate sourcing decisions and supply chain management. Gildan is exploring opportunities to utilize Gold Toe Moretz's sourcing network to introduce new products within its existing channels of distribution.

Yarn-Spinning

We source our yarn requirements primarily from the U.S., from third-party yarn suppliers with whom we have supply agreements, as well as from our joint venture, CanAm Yarns, LLC (CanAm), which operates yarn-spinning facilities in Georgia and North Carolina, U.S.

Sales, Marketing and Distribution

Our sales and marketing office which services our global screenprint markets is located in Christ Church, Barbados. We operate our retail sales and marketing activities primarily from our Charleston, South Carolina location. Our sales and marketing offices are responsible for customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and inventory control and logistics for each of their respective markets.

We distribute our activewear products for the screenprint channel primarily out of our distribution centre in Eden, North Carolina. We also use third-party warehouses in the western United States, Canada, Mexico, Europe and Asia to service our customers in these markets. Distribution activities related to servicing retail customers are primarily conducted out of our distribution centre in Charleston, South Carolina. In addition, with the acquisition of Gold Toe Moretz, we service some of our retail customers from retail distribution facilities in North Carolina, some of which are expected to be consolidated and transitioned to the Charleston distribution centre. Gold Toe Moretz also owns and operates retail stores located in outlet malls throughout the United States. Since the acquisition of Gold Toe Moretz, two additional outlet stores were opened bringing the total number of retail stores to 31.

Employees and Corporate Office

We currently employ approximately 29,500 full-time employees worldwide. Our corporate head office is located in Montreal, Canada.

COMPETITIVE ENVIRONMENT

The market for our products is highly competitive. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated, strategically-located manufacturing hubs which allows us to increase the efficiency of our operations and reduce costs, and to offer competitive pricing, consistent product quality, and a reliable supply chain which efficiently services replenishment programs with short production/delivery cycle times. Our acquisition of Gold Toe Moretz complements Gildan's competitive strengths with enhanced brand management experience and expertise, merchandising, technical innovation, design and sourcing capabilities. Our commitment to leading environmental and social responsibility practices is also an increasingly important factor for our customers.

Our primary competitors in North America are the major manufacturers for the screenprint and retail channels, such as Hanesbrands Inc., Berkshire Hathaway Inc. through its subsidiaries Fruit of the Loom, Inc. and Russell Corporation, and smaller U.S.-based manufacturers, including Anvil Knitwear Inc., Alstyle Apparel, a division of Ennis Corp., and Delta Apparel Inc. In addition, our Gold Toe and licensed sock brands for the retail channel, compete with brands which are owned or licensed by companies that manufacture and/or source socks, such as Renfro Corporation, as well as brands from well-established U.S. fashion apparel and athletic companies, which primarily source their products from Asia. The competitive landscape in the European screenprint channel is similar to that in North America, as we compete primarily with the European divisions of the major U.S.-based manufacturers mentioned above. In Europe, we also have large competitors that do not have integrated manufacturing operations and source products from suppliers in Asia.

ECONOMIC ENVIRONMENT AND BUSINESS OUTLOOK

Overall economic conditions continue to be weak and volatile. In the first half of fiscal 2011, we experienced a recovery in demand in our target screenprint markets. However, starting with the third quarter of fiscal 2011, market conditions weakened and demand in the U.S. wholesale distributor channel declined approximately 8% in the second half of fiscal 2011.

The apparel industry is also managing through a unique transition from rapid inflation in cotton costs to rapid deflation. Towards the latter part of fiscal 2010 we began to see a dramatic increase in cotton prices which peaked to historical new highs during fiscal 2011. In response to the significant increase in cotton costs, apparel suppliers, including Gildan, implemented successive price increases beginning in the fourth quarter of fiscal 2010 and during fiscal 2011. During the second half of fiscal 2011, cotton future prices began a rapid and significant decline, but with no immediate benefit on industry costs as existing manufacturer inventories continue to reflect cotton purchased at the previously higher levels of cotton prices.

Short-term promotional discounting in the U.S. wholesale distributor channel began to increase at the end of the fourth quarter of fiscal 2011 and has continued to increase in the first quarter of fiscal 2012 despite the fact that industry suppliers have not yet consumed high cost cotton inventories. In addition, in the first quarter of fiscal 2012, distributors have been supplying screenprinter demand without replenishing inventory levels, which we believe was mainly due to the anticipation by distributors of selling price reductions from suppliers. Weak market conditions in the retail channel are also reflecting delayed replenishment of inventories by retailers.

In order to enable distributors to plan their business and to stimulate screenprinter demand for Gildan products, on November 30, 2011, Gildan announced a reduction in selling prices in the U.S. distributor channel, effective December 5, 2011. In addition, Gildan concurrently announced its intention to apply the benefit of the price reduction to existing distributor inventories, which is projected to result in a distributor inventory devaluation discount of approximately $17 million, and which will be recorded as a reduction to net sales during the first quarter of fiscal 2012.

A discussion of management's expectations as to our outlook for fiscal 2012 is contained in our fourth quarter earnings results press release dated December 1, 2011 under the section entitled "Outlook".

NEW SEGMENTED REPORTING STRUCTURE

Beginning in the first quarter of fiscal 2012, the Company will begin reporting its business under two separate operating business segments, in line with the new operating and internal financial reporting structure of the Company. Gildan is now structured as two operating businesses that reflect the major customer market segments that it serves, each of which has accountability for its financial performance and return on capital. Previously, we managed and reported our operating performance under one reportable business segment, being high-volume, basic, frequently-replenished, non-fashion apparel. The following summary describes the operations of each of the Company's reportable segments starting in fiscal 2012:

- Screenprint: The screenprint business, headquartered in Barbados, designs, manufactures and distributes undecorated activewear products primarily to wholesale distributors and other screenprint markets in the U.S., Canada and international markets such as Europe, Mexico and the Asia-Pacific region.
- Retail: The retail business, headquartered in Charleston, South Carolina, designs, manufactures, sources and distributes socks, underwear, as well as activewear products, primarily to U.S. retailers.

STRATEGY AND OBJECTIVES

Our growth strategy comprises the following initiatives:

1. Maximize screenprint market penetration and opportunities

While we have achieved a leadership position in the screenprint distributor channel in the U.S. and in Canada, we continue to pursue further growth opportunities in the North American screenprint market. In particular, we intend to continue to pursue further penetration of the Gildan® brand in the U.S. distributor screenprint channel as we expand our production capacity. The introduction of new products such as softer T-shirts and sport shirts and new styles tailored for women could enable us to further increase our market share by servicing certain niches of the screenprint channel in which we previously did not participate.

We intend to continue to expand our presence in international screenprint markets, specifically Europe, Mexico and the Asia-Pacific region, and we also plan to continue to grow our sales to large branded apparel companies and retailers that sell imprinted activewear and are currently not serviced by our existing U.S. wholesale distributors. We are continuing to expand our integrated manufacturing hubs in Central America to support our projected growth, and allocate more capacity to service product categories and geographical locations where our growth was previously constrained by capacity availability. In addition, the acquisition of our first vertically-integrated facility for the manufacture of ring-spun T-shirts in Bangladesh during fiscal 2010, combined with the potential development over time of a vertically-integrated manufacturing hub in Bangladesh, is intended to support our strategy to grow our international business in Asia and Europe.

2. Leverage our successful business model to further penetrate the retail channel

We intend to continue to leverage our existing core competencies, successful business model and competitive strengths to further penetrate the U.S. retail channel. As in the screenprint channel, success factors in penetrating the retail channel include consistent quality, competitive pricing and fast and flexible replenishment due to our geographical proximity to our markets, together with our commitment to corporate social responsibility and environmental sustainability. We are a leading supplier of socks in the U.S. mass-market retail channel, and intend to continue to build our market share position in socks, activewear and underwear in retail. Within the mass-market retail channel, we have positioned the Company as a strategic supplier of products sold under selective national retailers' private label brands. We also sell our products in the retail channel under the Gildan® brand and, with the acquisition of Gold Toe Moretz, we have significantly expanded our brand portfolio as described under the section entitled "Our Products and Markets". We are increasingly focusing on the steady development of our company-owned and exclusively licensed brands, including the sale of products with the Gildan® label to retailers. The acquisition of Gold Toe Moretz represents an important step in our ongoing strategic development in retail. In addition to the introduction of leading consumer brands, the acquisition significantly expands and diversifies our channels of distribution across the broad spectrum of the U.S. retail channel. Additionally, this acquisition provides enhanced brand management expertise which can be utilized to further the development of the Gildan® brand. Furthermore, we intend to leverage Gildan's manufacturing scale and expertise to support the further development of Gold Toe Moretz's owned and licensed brands to create further sales growth opportunities in socks and other retail product categories.

3. Continue to generate manufacturing and distribution cost reductions

We continuously seek to improve our manufacturing and distribution processes and cost structure by developing and investing in projects for cost-reduction, as well as for further product quality enhancement. We continue to execute our plans to reduce our reliance on high-cost fossil fuels and further reduce our impact on the environment by installing additional biomass facilities as an alternate source of natural renewable energy, and other initiatives to increase the efficiency of our energy-intensive equipment and processes, which reflect the Company's commitment to environmental sustainability. The acquisition of Gold Toe Moretz also creates the potential to achieve cost synergies by combining the operations of both companies and integrating certain high-volume products supplied by Gold Toe Moretz into Gildan's vertically-integrated sock manufacturing in Honduras.

4. Reinvest cash flow

We will continue to evaluate opportunities to reinvest our cash flows generated from operations. Our primary use of cash will continue to be to finance our working capital and capital expenditure requirements to support our organic growth, as well as our dividend requirements, but at the same time we will be open to evaluating complementary strategic acquisition opportunities which meet our return on investment criteria, based on our risk-adjusted cost of capital.

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 short and long-term strategic objectives. These risks are described under the "Financial Risk Management" and "Risks and Uncertainties" sections of this annual MD&A.

OPERATING RESULTS

BUSINESS ACQUISITION

On April 15, 2011, the Company acquired 100% of the capital stock of Gold Toe Moretz for an aggregate cash consideration of $349.6 million, net of cash acquired. Gold Toe Moretz is a leading supplier of high-quality branded athletic, casual and dress socks for national chains, mass-market retailers, price clubs, department stores and specialty sporting goods stores in the United States. The Company financed the acquisition by using $100 million of cash on hand and approximately $250 million drawn on its revolving long-term credit facility. An additional purchase price consideration of up to 150,000 common shares issued in the form of treasury restricted share units, with a fair value of approximately $4 million as at October 2, 2011, is contingent on specified future events.

Gildan accounted for this acquisition using the purchase method in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1581, Business Combinations, and the results of Gold Toe Moretz have been consolidated with those of Gildan from the date of acquisition. Consequently, the 2011 audited annual consolidated financial statements include the results of Gold Toe Moretz from April 16, 2011 to October 2, 2011. We allocated the purchase price to the assets acquired and liabilities assumed based on management's best estimate of their fair values and taking into account all relevant information available at that time. Please refer to note 2 to the 2011 audited annual consolidated financial statements for a summary of the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

OPERATING RESULTS FOR THE YEAR ENDED OCTOBER 2, 2011, COMPARED TO THE YEAR ENDED OCTOBER 3, 2010

NON-GAAP MEASURES

We use non-GAAP measures to assess our operating performance. Securities regulations require that we 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, including adjusted net earnings, adjusted diluted EPS, EBITDA, free cash flow, total indebtedness and cash in excess of total indebtedness/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, operating results and cash flows.

We refer the reader to the section entitled "Definition and Reconciliation of Non-GAAP Measures" in this annual MD&A for the definition and complete reconciliation of all non-GAAP measures used and presented by the Company to the most directly comparable GAAP measures.

SELECTED ANNUAL INFORMATION

(in $ millions, except per share amounts)	**2011**	2010	2009
Net sales	**1,726.0**	1,311.5	1,038.3
Cost of sales	**1,288.3**	947.2	808.0
Gross profit	**437.7**	364.3	230.3
Selling, general and administrative expenses	**199.1**	154.7	134.8
Restructuring and acquisition-related costs	**8.5**	8.7	6.2
Operating income	**230.1**	200.9	89.3
Financial expense (income), net	**5.4**	0.8	(0.3)
Non-controlling interest in consolidated joint venture	**0.5**	3.8	0.1
Earnings before income taxes	**224.2**	196.3	89.5
Income taxes	**(15.7)**	(1.9)	(5.8)
Net earnings	**239.9**	198.2	95.3
Basic EPS	**1.97**	1.64	0.79
Diluted EPS	**1.96**	1.63	0.79
Total assets	**1,889.7**	1,327.5	1,074.5
Total long-term financial liabilities (1)	**209.0**	-	4.4

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

(1) Includes current portion of long-term debt.

Net Sales

Net sales in fiscal 2011 totalled $1,726.0 million, up 31.6%, from $1,311.5 million in fiscal 2010. Sales of activewear and underwear in fiscal 2011 were $1,406.0 million, up 29.6% from $1,085.0 million last year, and sales of socks were $320.0 million, up 41.3% from $226.5 million in fiscal 2010. The Company's guidance provided on August 4, 2011 was for sales in excess of $1.7 billion for fiscal 2011.

The increase in activewear and underwear sales in fiscal 2011 compared to fiscal 2010 was primarily due to higher average net selling prices and a 7.7% increase in unit sales volumes. Unit sales growth of activewear and underwear was due to an increase of 8.8% in industry shipments from U.S. distributors to U.S. screenprinters in the first half of fiscal 2011, the Company's penetration in other screenprint markets and increased shipments of activewear and underwear to mass-market retailers, partially offset by a 7.8% decline in overall market demand in shipments by U.S. distributors to U.S. screenprinters in the second half of fiscal 2011.

Market growth and share data presented for the U.S. wholesale distributor channel is based on the CREST report produced by Capstone Research, Inc., which tracks industry growth and market share in the U.S. distributor channel. The table below summarizes the CREST data for the nine months ended September 30, 2011:

	Nine months ended September 30, 2011		Nine months ended September 30,	
			2011	2010
	Unit Growth		Market Share	
	Gildan	Industry	Gildan	
All products	**(4.7)%**	**(4.2)%**	**61.8%**	**62.1%**
T-shirts	**(4.8)%**	**(4.2)%**	**62.3%**	**62.8%**
Fleece	**(2.4)%**	**(3.7)%**	**61.7%**	**60.9%**
Sport shirts	**(3.2)%**	**(4.7)%**	**46.9%**	**46.1%**

CREST data is reported on a calendar basis. Full year data for calendar 2011 was not yet available at the date of this report.

Similar to the screenprint market in the U.S., market conditions in our Canadian and international markets weakened in the second half of the fiscal year. Sales from Canada totalled $63.4 million in fiscal 2011, up 17.0% compared to sales of $54.2 million in fiscal 2010. The sales growth was mainly due to higher average selling prices and the appreciation of the Canadian dollar, partially offset by lower unit volume sales. Net sales from international markets of $125.9 million during fiscal 2011 increased $23.4 million, or 22.8% compared to international sales of $102.5 million in fiscal 2010. The year over year increase was attributable to higher average selling prices and higher unit volume sales in most of the markets we serve, partially offset by the discontinuation of programs previously serviced by Shahriyar Fabric Industries Limited during fiscal 2010.

The increase in sock sales for fiscal 2011 was due to the impact of the acquisition of Gold Toe Moretz and the implementation of selling price increases, partially offset by lower organic sales of socks, in part attributable to inventory destocking by mass-market retailers.

Gross Profit

Gross profit is the result of our net 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, including manufacturing depreciation expense, sourcing costs, inbound freight and inter-facility transportation costs, and outbound freight to customers. Cost of sales also includes the costs of purchased finished goods, costs relating to purchasing, receiving and inspection activities, manufacturing administration, third-party manufacturing services, sales-based royalty costs, insurance, inventory write-downs, and customs and duties. Our reporting of gross profit and gross margin may not be comparable to these metrics as reported by other companies, since some entities exclude depreciation expense, outbound freight to customers and royalty costs from cost of sales.

Gross profit for fiscal 2011 was $437.7 million, up $73.4 million from gross profit of $364.3 million in fiscal 2010. As a percentage of sales, gross profit in fiscal 2011 declined to 25.4% compared to gross margin of 27.8% in fiscal 2010. The decline in gross margin was primarily due to the significant increase in the cost of cotton compared to last year, which as a percentage of net sales, more than offset the impact of higher average net selling prices. Gross margin of 25.4% in fiscal 2011 was slightly below the Company's guidance provided on August 4, 2011, due mainly to higher than forecasted selling price promotions in the U.S. wholesale distributor channel in the month of September and lower than projected sock manufacturing efficiencies.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses include warehousing and handling costs, selling and administrative personnel costs, advertising and marketing expenses, costs of leased facilities and equipment, professional fees, non-manufacturing depreciation and amortization expense, and other general and administrative expenses. SG&A expenses also include bad debt expense, and amortization of intangible assets.

SG&A expenses were $199.1 million in fiscal 2011, up $44.4 million compared to SG&A expenses of $154.7 million in fiscal 2010. SG&A expenses as a percentage of net sales for fiscal 2011 decreased to 11.5% compared to 11.8% of net sales in fiscal 2010 and was slightly lower than the Company's projection provided on August 4, 2011. The increase in SG&A expenses in fiscal 2011 compared to last year was primarily due to the impact of the acquisition of Gold Toe Moretz, increases in compensation expenses, legal and professional fees and retail marketing expenses combined with the impact of the higher-valued Canadian dollar on corporate administrative expenses. In addition, SG&A expenses for fiscal 2011 included a loss of $3.7 million recognized in the second fiscal quarter relating to the early termination of our previous corporate aircraft lease.

Restructuring and Acquisition-Related Costs

(in $ millions)	**2011**	2010	2009
Loss (gain) on disposal of assets held for sale	**0.7**	0.1	(0.6)
Accelerated depreciation	**-**	2.5	-
Asset impairment loss and write-down of assets held for sale	**1.7**	1.8	1.6
Employee termination and other benefits	**2.9**	0.7	2.2
Other exit costs	**3.2**	3.7	3.1
Adjustment for employment contract	**-**	(0.1)	(0.1)
	8.5	8.7	6.2

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

During the first quarter of fiscal 2010, the Company announced plans to consolidate its distribution centres servicing retail customers at its new retail distribution centre in Charleston, South Carolina, and to close its leased retail distribution facility in Martinsville, Virginia and its retail distribution facilities in Fort Payne, Alabama. In February 2009, the Company closed its U.S. sock finishing operations in Fort Payne, Alabama, and in February 2011 the Company announced the closure of the remaining U.S. sock knitting operations in Fort Payne, Alabama.

For fiscal 2011, restructuring and acquisition-related costs totalled $8.5 million, mainly relating to the closure of the U.S. sock knitting operations mentioned above, including $2.9 million of employee termination costs, other exit costs of $2.0 million related to carrying and dismantling costs and $1.7 million of asset write-downs mainly for assets held for sale. Other exit costs also included net pension expense of $1.2 million related to Gold Toe Moretz's defined benefit pension plan which was incurred primarily as a result of the Company's plan to fully fund and de-risk the plan, and reduce future pension costs.

For fiscal 2010, restructuring and acquisition-related costs totalled $8.7 million, mainly relating to the consolidation of retail distribution facilities mentioned above, including $2.5 million of accelerated depreciation, an asset impairment loss of $1.8 million, and $0.7 million of employee termination costs. The Company also incurred other exit costs of $3.7 million for fiscal 2010 including inventory transfer costs, carrying and dismantling costs, and lease termination costs.

For fiscal 2009, restructuring and acquisition-related costs totalled $6.2 million which included $3.7 million for the closure of the Company's U.S. sock finishing operations, and $3.1 million primarily related to facility closures that occurred in previous fiscal years, including carrying costs and asset write-downs, net of a gain of $0.6 million relating to assets held for sale.

The Company expects to incur additional carrying costs relating to the closed facilities, which will be accounted for as restructuring charges as incurred and until all property, plant and equipment related to the closures are disposed of. Any fair value adjustments and gains or losses on the disposal of the assets held for sale will also be accounted for as restructuring charges as incurred.

Financial Expense / Income, net

Net financial expense/income includes interest expense, net of interest income, and foreign exchange gains and losses. Net financial expense amounted to $5.4 million in fiscal 2011, compared to net financial expense of $0.8 million in fiscal 2010. The increase of $4.6 million in net financial expense in fiscal 2011 resulted mainly from increased interest expense and bank charges due primarily to the financing of the acquisition of Gold Toe Moretz and the realization of a loss of $1.3 million in the first quarter of fiscal 2011 on derivative financial instruments which were not designated as hedges for accounting purposes.

Non-Controlling Interest in Consolidated Joint Venture

Non-controlling interest in consolidated joint venture of $0.5 million decreased by approximately $3.3 million in fiscal 2011 compared to last year. The decrease is due primarily to the recognition of cotton subsidies by our yarn-spinning joint venture, CanAm. The non-controlling interest of the cotton subsidy recognized in fiscal 2011 was $1.6 million, compared to $3 million recognized in fiscal 2010.

Income Taxes

The Company recorded an income tax recovery of $15.7 million for fiscal 2011 compared to an income tax recovery of $1.9 million for fiscal 2010. Excluding the impact of restructuring and acquisition-related costs in both years, the income tax recovery for fiscal 2011 totalled $12.8 million compared to an income tax expense of $1.4 million in fiscal 2010. The income tax recovery was due primarily to the recognition of future income tax assets related to higher tax losses incurred by the Company's U.S. legal entities during the year, the benefits of which have been recognized as it is more likely than not that we will be able to utilize the losses in future years.

Net Earnings

Net earnings for fiscal 2011 of $239.9 million, or $1.96 per share on a diluted basis, were up 21.0% and 20.2%, respectively compared with net earnings of $198.2 million, or $1.63 per share on a diluted basis in fiscal 2010. Adjusted net earnings and adjusted diluted EPS for fiscal 2011 totalled $245.5 million and $2.01 compared with adjusted net earnings of $203.6 million, or $1.67 per share for the prior year. The increase in adjusted net earnings and EPS for fiscal 2011 compared to the prior year was due to increased sales revenues for activewear, the earnings accretion attributable to the Gold Toe Moretz acquisition and higher income tax recoveries. These positive factors more than offset the impact of higher cotton and other input costs, lower organic sock sales and increased selling, general and administrative expenses.

Adjusted EPS on a diluted basis for fiscal 2011 slightly exceeded the Company's EPS guidance of approximately $2.00 provided on August 4, 2011. Compared to its August guidance, the unfavourable impact of weaker demand and increased promotional discounting in the wholesale distributor channel, lower inventory replenishment by mass-market retailers and lower than forecast sock manufacturing efficiencies was more than offset by the later than anticipated timing of destocking by wholesale distributors, and the benefit of income tax recoveries.

OPERATING RESULTS FOR THE YEAR ENDED OCTOBER 3, 2010 COMPARED TO THE YEAR ENDED OCTOBER 4, 2009

Net Sales

Net sales in fiscal 2010 totalled $1,311.5 million, up 26.3%, from $1,038.3 million in fiscal 2009. Sales of activewear and underwear in fiscal 2010 were $1,085.0 million, up 36.4% from $795.5 million in fiscal 2009, and sales of socks were $226.5 million, down 6.7% from $242.8 million in fiscal 2009.

The increase in activewear and underwear sales in fiscal 2010 compared to fiscal 2009 was primarily due to a 31.2% increase in unit sales volumes, more favourable activewear product-mix as a result of a higher proportion of sales of higher-valued fleece and long-sleeve T-shirts and an increase in net selling prices due to reduced promotional activity. The unit volume increase in sales of activewear was mainly attributable to our continued market share penetration in all product categories in the U.S. distributor channel and a 5.8% increase in overall industry unit shipments from U.S. distributors to U.S screenprinters in the last nine months ended September 30, 2010, combined with strong growth in international and other screenprint markets, and increased shipments of underwear and activewear to retail customers. During fiscal 2010, the Company was constrained from fully capitalizing on stronger than anticipated demand for its activewear products in the second half of the year due in part to the impact of the Haiti earthquake which had resulted in lost production.

During the nine months ended September 30, 2010, Gildan achieved market share gains in all of its product categories and according to the S.T.A.R.S. report produced by ACNielsen, increased its overall market share in the U.S. screenprint channel to 64.1%, up 7.5 percentage points compared to the same period in the previous year. While unit shipments from U.S. distributors to U.S. screenprinters for the nine months ended September 30, 2010 were up 5.8% compared to the same period in the previous year, our continued market share penetration resulted in a 19.7% increase in unit shipments of Gildan products from U.S. distributors to U.S. screenprinters, which significantly outpaced overall market demand. AC Nielsen discontinued the S.T.A.R.S. report effective from the end of the 2010 calendar year, and Gildan subsequently began to subscribe to the CREST report produced by Capstone Research, Inc. which tracks industry growth and market share in the U.S. distributor channel. Consequently, industry growth and market share data provided above is based on the S.T.A.R.S. report whereas industry growth and market share data discussed elsewhere in this annual MD&A is based on the CREST report for the current and comparative years.

We also saw a recovery in demand and significantly increased market penetration by Gildan in the Canadian and international markets which contributed to our sales increase in activewear for fiscal 2010. Canadian sales totalled $54.2 million in fiscal 2010, up 54.4% compared to sales of $35.1 million in fiscal 2009 due to the recovery in industry demand and the higher value of the Canadian dollar compared to fiscal 2009. Net sales of $102.5 million from our international markets increased 61.4% in fiscal 2010 compared to the previous year. The increase in sales was due to strong unit volume growth in essentially all international markets that we serve.

The decrease in sales of socks for fiscal 2010 was mainly attributable to lower unit sales volumes and a decline in average net selling prices compared to fiscal 2009 largely due to a shift towards a more basic product-mix. The unit volume decline was primarily due to the discontinuance of unprofitable sock programs and the elimination of baby apparel and layette programs under licensed brands, as well as servicing issues resulting from the ramp-up of our new retail distribution centre and the ramp-up of production at the new sock manufacturing facility in Honduras.

Gross Profit

Gross profit for fiscal 2010 was $364.3 million, or 27.8% of net sales, higher than gross profit of $230.3 million, or 22.2% of net sales for fiscal 2009. The increase in gross margins in fiscal 2010 compared to the previous year was primarily due to lower promotional discounting in the U.S. distributor channel, more favourable activewear product-mix and increased manufacturing efficiencies, partially offset by inefficiencies related to the initial ramp-up of new retail underwear and activewear programs. Gross profit for fiscal 2010 also included the benefit of a $6 million cotton subsidy recognized by our yarn-spinning joint venture, CanAm, which was recorded as a reduction of cost of sales in the fourth quarter of fiscal 2010. After reflecting the portion of the benefit of the cotton subsidy that is included in non-controlling interest in our consolidated statement of earnings, the net after-tax benefit for the Company was approximately $1.9 million.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses were $154.7 million in fiscal 2010, compared to $134.8 million in fiscal 2009. SG&A expenses as a percent of net sales for fiscal 2010 decreased to 11.8% compared to 13.0% of net sales in fiscal 2009 and was more in line with the level of 11.4% achieved in fiscal 2008. The increase in SG&A expenses was primarily due to an increase in volume-driven distribution expenses, increased administrative and distribution infrastructure to support the development of the Company's retail initiatives, higher variable compensation expense and the impact of the higher-valued Canadian dollar on corporate administrative expenses. The increase in SG&A was partially offset by lower bad debt expense, as well as lower legal and professional fees.

Financial Expense / Income, net

Net financial expense amounted to $0.8 million in fiscal 2010, compared to net financial income of $0.3 million in fiscal 2009. The increase of $1.1 million in net financial expense in fiscal 2010 resulted from a decrease in foreign exchange gains of $2.0 million, and an increase in bank and other financial charges of $0.5 million, partially offset by a decrease in interest expense of $1.4 million. The decrease in interest expense was due to lower borrowings during fiscal 2010 compared to 2009.

Non-Controlling Interest in Consolidated Joint Venture

Non-controlling interest in consolidated joint venture increased to $3.8 million in fiscal 2010 primarily due to the recognition of the 50% non-controlling interest of a cotton subsidy received by our yarn-spinning joint venture, CanAm, totalling $6 million.

Income Taxes

The income tax recovery for fiscal 2010 was $1.9 million, compared to an income tax recovery of $5.8 million for fiscal 2009. The total income tax recovery for fiscal 2010 included recoveries of $3.3 million related to the impact of restructuring and acquisition-related costs. The income tax recovery for fiscal 2009 included recoveries of $6.1 million relating to the recognition of previously unrecorded tax positions of prior years and $1.8 million related to the impact of restructuring and acquisition-related costs. Excluding the impact of restructuring and acquisition-related costs in both years and the impact in 2009 of the income tax recovery related to prior years, the effective income tax rate for fiscal 2010 was approximately 1%, compared to an effective income tax rate of 2.2% for fiscal 2009. The year over year decline in the effective income tax rate was mainly due to a higher proportion of profits earned in lower tax jurisdictions combined with the tax recovery in fiscal 2010 related to the benefit of tax losses incurred in higher tax jurisdictions.

Net Earnings

Net earnings for fiscal 2010 of $198.2 million, or $1.63 per share on a diluted basis, were up 108.0% and 106.3%, respectively compared with net earnings of $95.3 million, or $0.79 per share on a diluted basis in fiscal 2009. Net earnings included after-tax restructuring and acquisition-related costs of $5.4 million in fiscal 2010 and $4.4 million in fiscal 2009. Excluding the impact of restructuring and acquisition-related costs, adjusted net earnings and adjusted diluted EPS for fiscal 2010 totalled $203.6 million and $1.67 per share compared with adjusted net earnings of $99.7 million, or $0.82 per share for the prior year. The increase in adjusted net earnings and EPS was due to strong sales growth and significantly higher gross margins, partially offset by higher SG&A 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 and has been prepared on the same basis as the audited annual consolidated financial statements. The operating results for any quarter are not necessarily indicative of the results to be expected for any period.

(in $ millions, except per share amounts)	2011				2010			
	Q4(1)	Q3(1)	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	**481.8**	529.8	383.2	331.3	368.9	395.3	326.8	220.4
Net earnings	**48.5**	94.1	61.4	35.9	56.8	64.7	48.8	28.0
Net earnings per share								
Basic EPS(2)	**0.40**	0.77	0.51	0.30	0.47	0.53	0.40	0.23
Diluted EPS(2)	**0.40**	0.77	0.50	0.29	0.47	0.53	0.40	0.23
Total assets	**1,889.7**	1,893.3	1,441.7	1,346.0	1,327.5	1,272.4	1,170.8	1,093.6
Total long-term financial liabilities	**209.0**	252.0	-	-	-	0.1	0.7	3.2
Weighted average number of shares outstanding *(in '000s)*								
Basic	**121,548**	121,649	121,515	121,394	121,334	121,264	121,061	120,977
Diluted	**122,143**	122,506	122,273	122,161	122,141	122,098	121,919	121,762

(1) Results reflect the acquisition of Gold Toe Moretz from April 16, 2011.

(2) Quarterly EPS may not add to year-to-date EPS due to rounding.

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

Seasonality and Other Factors Affecting the Variability of Results and Financial Condition

Our results of operations for interim periods and for full fiscal years are impacted by the variability of certain factors, including, but not limited to, changes in end-use demand and customer demand, our customers' decision to increase or decrease their inventory levels, changes in our sales mix, and fluctuations in selling prices and raw material costs. While our products are sold on a year-round basis, our business experiences seasonal changes in demand which result in 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, in advance of the Fall and Winter seasons, in the third and fourth quarters of each fiscal 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 and the need to support requirements for the back-to-school period and the holiday season.

Historically, we have typically operated our mature facilities at full capacity throughout the year 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, in particular a build-up of inventory levels in the first half of the year. During fiscal 2010, the massive earthquake that struck Haiti impacted our sewing contractors' operations resulting in a temporary loss of production. This, combined with the recovery in demand during fiscal 2010, prevented the Company from adequately rebuilding inventories to optimal levels by the end of the year. Fiscal 2011 began with sub optimal levels of inventories and the continuation of the strong recovery in demand in the first half of the year did not allow the Company to rebuild its inventories until the fourth quarter of fiscal 2011.

Our results are also impacted by fluctuations in the price of raw materials and other input costs. Cotton and polyester fibres are the primary raw materials used in the manufacture of our products, and we also use chemicals, dyestuffs and trims which we purchase from a variety of suppliers. Cotton prices, which directly affect the cost of the cotton fibres we purchase, are 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. While we enter into contracts in advance of delivery to establish firm prices for cotton and cotton yarn, our realized cotton costs can fluctuate significantly between interim and annual reporting periods. Energy costs in our results of operations are also affected by fluctuations in crude oil and petroleum prices, which can also influence transportation costs and the cost of related items used in our business, such as polyester fibres, chemicals, dyestuffs and trims.

Management decisions to consolidate or reorganize operations, including the closure of facilities, may also result in significant restructuring costs in an interim or annual period. Refer to the section of this annual MD&A entitled "Restructuring and Acquisition-Related Costs" for the details of restructuring costs incurred during fiscal 2011, 2010 and 2009. In addition, the effect of asset write-downs, including provisions for bad debts and slow moving inventories, can affect the variability of our results.

Our reported amounts for sales, selling, general and administrative expenses, and financial expense/income are impacted by fluctuations in the U.S. dollar versus certain other currencies as described in the "Financial Risk Management" section of this annual MD&A. The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

As previously discussed, the impact of the Haiti earthquake during fiscal 2010 led to a temporary loss of production at our contractors' sewing facilities and consequently resulted in manufacturing and supply chain inefficiencies in the second, third and fourth quarters of fiscal 2010. The Company received insurance proceeds of $8 million, or $0.07 per share in the fourth quarter of fiscal 2010, which only partially offset the impact of manufacturing and supply chain inefficiencies and lost sales during fiscal 2011.

Fourth Quarter Results

Net sales in the fourth quarter of fiscal 2011 amounted to $481.8 million, up 30.6% from net sales of $368.9 million in the fourth quarter of fiscal 2010. Sales of activewear and underwear for the fourth quarter in fiscal 2011 amounted to $368.9 million, up 20.0% from fiscal 2010, and sales of socks were $112.9 million, up 83.6% from $61.5 million in the fourth quarter last year. The Company had forecast in August that sales in the fourth quarter would be slightly below $500 million. Weaker than forecasted demand and increased promotional discounting in the wholesale distributor channel and lower inventory replenishment by mass-market retailers more than offset the later than anticipated timing of destocking by wholesale distributors.

The growth in sales of activewear and underwear compared to the fourth quarter of fiscal 2010 was due to an approximate 23% increase in average net selling prices, partially offset by a 7.6% reduction in unit volume shipments which declined due to a 6.3% reduction in industry shipments from U.S. distributors to U.S. screenprinters and seasonal destocking in the U.S. screenprint market which was less than anticipated. Gildan's market share in the U.S. distributor channel in the fourth quarter was 62.3%, according to the CREST report, and was essentially unchanged from 62.1% in the fourth quarter of last year. Consequently, the Company has recaptured the slight loss of market share incurred earlier in the fiscal year, when it was unable to fully service demand for its products due to capacity constraints and suboptimal inventory levels.

The increase in sales revenues for socks was due to the acquisition of Gold Toe Moretz. Shipments of socks in the fourth quarter of fiscal 2011 were negatively impacted by weak market conditions and inventory destocking by mass-market retailers. Also, sales of socks in the fourth quarter of fiscal 2010 were positively impacted by the later timing of shipments of back-to-school programs.

Gross profit for the fourth quarter of fiscal 2011 totalled $98.5 million, down slightly from gross profit of $100.7 million in the fourth quarter of fiscal 2010. Gross margins in the fourth quarter of fiscal 2011 were 20.4% compared with the Company's guidance in August of approximately 22%, and 27.3% in the fourth quarter of last year. Gross margins were lower than forecast due to higher than forecast selling price promotions in the U.S. wholesale distributor channel in the month of September and lower than projected sock manufacturing efficiencies. The decrease in gross margins compared to last year was due to the significant increase in the cost of cotton, which was not fully recovered in higher selling prices, and the non-recurrence of the proceeds from the insurance claim for the Haiti earthquake and a cotton subsidy received in Gildan's U.S. yarn-spinning joint venture, which together positively impacted gross margins by over 400 basis points in the fourth quarter of last year. These negative factors were partially offset by more favourable activewear product-mix and the impact of the acquisition of Gold Toe Moretz.

SG&A expenses in the fourth quarter increased to $53.3 million, or 11.1% of sales, compared to $42.0 million, or 11.4% of sales in the fourth quarter of fiscal 2010. The increase in SG&A expenses was due to the impact of including Gold Toe Moretz, which resulted in approximately $15 million of additional SG&A expenses, partially offset by the non-recurrence of a $1.5 million provision for doubtful accounts receivable in the fourth quarter of last year and lower distribution expenses.

We recorded an income tax recovery of $8.9 million in the fourth quarter of fiscal 2011 compared to an income tax recovery of $2.5 million in the fourth quarter of fiscal 2010 due to higher tax losses in the Company's U.S. legal entities, the benefits of which have been recognized as a future income tax asset as it is more likely than not that we will be able to utilize the losses in future years.

Net earnings for the fourth fiscal quarter ended October 2, 2011 were $48.5 million or $0.40 per share on a diluted basis, down respectively 14.6% and 14.9% from $56.8 million or $0.47 per share in the fourth quarter of fiscal 2010. Results for the fourth quarter include restructuring charges totaling $2.3 million after tax or $0.02 per share to write down the carrying value of assets held for sale and to recognize pension costs related to Gold Toe Moretz's defined benefit pension plan, which the Company intends to terminate in fiscal 2012. Adjusted net earnings for the fourth quarter of fiscal 2011 amounted to $50.8 million, or $0.42 per share, down 12.9% and 12.5% respectively, compared to $58.3 million, or $0.48 per share in the fourth quarter of fiscal 2010. The decline in adjusted net earnings and EPS in the fourth quarter compared to last year was due to the significant increase in the cost of cotton, which was not fully recovered in higher net selling prices, and lower unit sales volumes for activewear. In addition, net earnings for the fourth quarter of fiscal 2010 included the benefit of insurance proceeds of $8 million and the recognition of a cotton subsidy. These factors were partially offset by the positive impact of income tax recoveries in the fourth quarter of fiscal 2011, more favourable activewear product-mix, lower SG&A expenses and the earnings accretion from the acquisition of Gold Toe Moretz.

Adjusted EPS on a diluted basis slightly exceeded our guidance for the quarter of approximately $0.40 per share provided on August 4, 2011. Compared to the assumptions in our August guidance, the unfavourable impact of weaker demand and increased promotional discounting in the wholesale distributor channel, lower inventory replenishment by mass-market retailers and lower than forecast sock manufacturing efficiencies was more than offset by the later than anticipated timing of destocking of inventories by wholesale distributors, and the benefit of income tax recoveries.

FINANCIAL CONDITION

Trade accounts receivable of $191.6 million as at October 2, 2011 increased by $45.9 million, or 31.5% compared to $145.7 million at the end of fiscal 2010. Excluding the impact of the inclusion of accounts receivable of Gold Toe Moretz at the end of fiscal 2011, accounts receivable increased by $11.5 million, or 7.9% from last year due to higher net sales in the fourth quarter compared with the fourth quarter of fiscal 2010, partially offset by a decrease in the number of days' sales outstanding (DSO).

Inventories of $575.6 million were up $243.1 million, or 73.1% from $332.5 million at the end of fiscal 2010. The increase in inventories reflected the inclusion of inventories from the acquisition of Gold Toe Moretz which amounted to $72.4 million at the end of fiscal 2011. Excluding the impact from the acquisition of Gold Toe Moretz, the increase in inventories was due to higher unit volumes as a result of planned increases in T-shirt inventories, which were at lower than optimal levels last year and during most of fiscal 2011, and a significant increase in overall average unit costs. The increase in average unit costs was mainly attributable to the impact of rising cotton and other input costs as well as a higher cost inventory mix due to a higher proportion of T-shirt inventories compared to sock inventories at the end of fiscal 2011 compared to the end of fiscal 2010.

Property, plant and equipment, which are net of accumulated depreciation, amounted to $565.4 million at October 2, 2011, compared to $479.3 million at October 3, 2010. The increase of $86.1 million reflected capital additions of $162.9 million, and the inclusion of $3.5 million of property, plant and equipment from the acquisition of Gold Toe Moretz, partially offset by $66.7 million of depreciation, and a reclassification of property, plant and equipment to assets held for sale and the disposal of certain assets. Capital additions consisted primarily of the construction of our new Rio Nance 5 textile facility, expenditures related to the ramp-up of our Rio Nance 4 sock facility, the expansion of our distribution centre in North Carolina servicing the screenprint market, the further incremental capacity expansion of our Dominican Republic textile facility, and our biomass energy project in Honduras. Capital expenditures for fiscal 2011 were in line with the Company's guidance provided on August 4, 2011 of capital expenditures in excess of $150 million.

Assets held for sale of $13.1 million as at October 2, 2011 and $3.2 million as at October 3, 2010 include property, plant and equipment primarily relating to closed facilities. The increase was due mainly to the reclassification of assets from property, plant and equipment to assets held for sale, including sock manufacturing and distribution facilities at our Fort Payne, Alabama location that were recently closed, and our former office building in Barbados.

Intangible assets are comprised of customer contracts and relationships, trademarks, license agreements, non-compete agreements and computer software, and amounted to $256.5 million as at October 2, 2011 compared to $61.3 million at the end of fiscal 2010. The increase reflects $204.7 million related to the acquisition of Gold Toe Moretz, net additions of computer software of $3.6 million, partially offset by amortization of $13.1 million. Management performed its annual review for impairment of the trademarks, which are considered to be indefinite life intangible assets, and concluded that there has been no impairment in the value of the trademarks as at October 2, 2011.

Goodwill of $153.2 million as at October 2, 2011 increased by $143.0 million from the end of fiscal 2010 primarily as a result of the acquisition of Gold Toe Moretz. Management performed its annual review for impairment of goodwill and concluded that there has been no impairment in the value of goodwill as at October 2, 2011.

Total assets were $1,889.7 million as at October 2, 2011, compared to $1,327.5 million at the end of the previous year. Working capital was $573.1 million as at October 2, 2011 compared to $570.5 million as at October 3, 2010. The current ratio at the end of fiscal 2011 was 2.8 compared to 4.0 at the end of fiscal 2010.

Accounts payable and accrued liabilities amounted to $315.3 million as at October 2, 2011 compared to $186.2 million at the end of fiscal 2010. The $129.1 million increase from the end of fiscal 2010 reflected the inclusion of accounts payable and accrued liabilities from the acquisition of Gold Toe Moretz, which amounted to $48.4 million at the end of fiscal 2011. Excluding the impact from the acquisition of Gold Toe Moretz, the increase in accounts payable and accrued liabilities was mainly due to the impact of higher cotton and other input costs on accounts payable, and the start-up of production at our Rio Nance 5 textile facility.

Income taxes payable decreased from $5.0 million at the end of fiscal 2010 to an income tax receivable of $0.5 million at October 2, 2011. The current income tax provision of $3.4 million was more than offset by income tax payments made during fiscal 2011, including current year tax installments.

Future income tax liabilities net of future income tax assets increased from $4.5 million at the end of fiscal 2010 to $14.9 million at October 2, 2011. The increase was due primarily to the acquisition of Gold Toe Moretz which resulted in the assumption of $29.6 million of net future income tax liabilities at April 15, 2011, partially offset by the recognition of the tax benefit of tax losses incurred during fiscal 2011 in the Company's higher tax rate jurisdictions. The assumed net future income tax liabilities of $29.6 million of Gold Toe Moretz at the date of acquisition included future income tax liabilities of approximately $62 million resulting from the tax effect of temporary taxable differences between the accounting and tax basis of net assets acquired, primarily relating to intangible assets, partially offset by a future income tax asset of approximately $32.5 million relating to the tax benefit of income tax loss carryforwards.

CASH FLOWS

Cash inflows from operating activities in fiscal 2011 were $181.6 million compared to cash inflows of $301.6 million for the previous year. Despite an increase in cash generated from earnings before depreciation and other non-cash items, cash flows from operating activities decreased due to an overall increase in the level of our net non-cash working capital in fiscal 2011 resulting primarily from the increases in inventories and trade accounts receivable as noted under the "Financial Condition" section of this annual MD&A.

Cash flows used in investing activities were $523.9 million in fiscal 2011, compared to $141.2 million in fiscal 2010. The increase of $382.7 million in fiscal 2011 was mainly due to the acquisition of Gold Toe Moretz in April 2011 for $349.6 million, combined with higher capital expenditures when compared with last year. For fiscal 2011, capital expenditures were primarily for capacity expansions, as noted under the "Financial Condition" section of this annual MD&A. For fiscal 2010, cash outflows from investing activities included investments for manufacturing capacity expansions in Honduras, the acquisition of a vertically-integrated manufacturing facility in Bangladesh, and the purchases of our retail distribution centre in Charleston and our new office building in Barbados.

We generated free cash flow of $7.3 million in fiscal 2011 compared to $175.9 million for the same period in fiscal 2010. The decrease of $168.6 million was attributable to lower cash flows from operating activities, due to the increase in non-cash working capital as noted above, combined with higher capital spending compared to last year. Free cash flow is comprised of cash flows from operating activities, including net changes in non-cash working capital balances, less cash used in investing activities, excluding business acquisitions. See the heading entitled "Free Cash Flow" under the section entitled "Definition and Reconciliation of Non-GAAP Measures" in this annual MD&A.

Cash flows from financing activities in fiscal 2011 amounted to $172.8 million compared to cash outflows of $1.4 million in fiscal 2010. We began fiscal 2011 with no long-term debt outstanding. During the third quarter of fiscal 2011, we utilized approximately $250 million of our revolving long-term credit facility to partially finance the acquisition of Gold Toe Moretz, and we reduced the balance owing on the credit facility at the end of fiscal 2011 to $209.0 million. We issued three dividend payments during fiscal 2011 for an aggregate amount of $27.5 million, and we also repurchased and cancelled 0.4 million common shares for a total cost of $10.5 million under our normal course issuer bid. In fiscal 2010, cash flows used in financing activities consisted primarily of repayments of long-term debt.

LIQUIDITY AND CAPITAL RESOURCES

In recent years, we have funded our operations and capital requirements with cash generated from operations. A revolving long-term credit facility has been periodically utilized to finance seasonal peak working capital requirements and business acquisitions, including our acquisition of Gold Toe Moretz in April 2011. Our primary uses of funds on an ongoing basis are for capital expenditures for manufacturing and distribution facilities, working capital requirements, and payment of dividends. In addition, we may also use funds for business acquisitions.

During fiscal 2011, we increased our existing unsecured revolving long-term credit facility from $400 million to $800 million. The amended facility has a maturity date of June 2016. Amounts drawn under the revised facility bear interest at a variable banker's acceptance or U.S. LIBOR-based interest rate plus a spread ranging from 125 to 200 basis points. Total indebtedness as at October 2, 2011 was $209.0 million, compared to nil at October 3, 2010 with the increase being due to the funds drawn on our revolving long-term credit facility to partially finance the acquisition of Gold Toe Moretz. An amount of $5.8 million has been committed against this facility to cover various letters of credit as at October 2, 2011. Total indebtedness is comprised of bank indebtedness and long-term debt as described under the section entitled "Definition and Reconciliation of Non-GAAP Measures" in this annual MD&A.

We ended the fiscal year with net indebtedness of $120.2 million, compared to cash in excess of total indebtedness of $258.4 million at the end of fiscal 2010 which consisted entirely of cash and cash equivalents with no amounts drawn under our revolving long-term credit facility. The increase in net indebtedness was due primarily to the acquisition of Gold Toe Moretz in April 2011 which was initially financed using cash on hand and funds drawn on our revolving long-term credit facility. Net indebtedness is calculated as total indebtedness net of cash and cash equivalents as described under the section entitled "Definition and Reconciliation of Non-GAAP measures" in this annual MD&A. At October 2, 2011, we continue to have ample liquidity and significant financing capacity and flexibility under our revolving long-term credit facility.

Gildan is currently projecting capital expenditures of approximately $100 million for fiscal 2012, including expenditures for the ramp-up of the Rio Nance 5 textile facility, the completion of the ramp-up of our second sock manufacturing facility in Honduras, and our ongoing cost reduction initiatives including expenditures for our biomass alternative energy projects in Honduras. The Company also expects to use cash in fiscal 2012 to fund dividend payments.

We expect that cash flows from operating activities and the unutilized financing capacity under our revolving long-term credit facility will provide us with sufficient liquidity for the foreseeable future to fund our organic growth strategy, including anticipated working capital and capital expenditure requirements, to fund dividends to shareholders, as well as provide us with financing flexibility to take advantage of potential acquisition opportunities which complement our organic growth strategy.

The Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue or repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

All commitments have been reflected in our balance sheets except for operating leases and other purchase obligations, which are included in the table of contractual obligations that follows. As disclosed in note 14 to our 2011 audited annual 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 their contractual obligations. As at October 2, 2011, the maximum potential liability under these guarantees was $15.1 million, of which $5.0 million was for surety bonds and $10.1 million was for corporate guarantees and standby letters of credit.

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 by period for the following items as at October 2, 2011, excluding derivative financial instruments and future interest payments:

(in $ millions)	**Total**	Less than 1 fiscal year	1 to 3 fiscal years	4 to 5 fiscal years	More than 5 fiscal years
Long-term debt	**209.0**	-	-	209.0	-
Purchase obligations	**211.6**	211.6	-	-	-
Operating leases	**48.0**	12.2	20.7	8.0	7.1
Pension liability	**5.5**	5.5	-	-	-
Total contractual obligations	**474.1**	229.3	20.7	217.0	7.1

The Company has begun the process to fully fund the Gold Toe Moretz defined benefit pension plan, which was frozen in 2006. This pension plan was in a deficit position of approximately $21.8 million at the April 15, 2011 acquisition date, which decreased to approximately $5.5 million at the end of fiscal 2011 after reflecting contributions to the plan of $19.0 million during the year. Over the next twelve months, we intend to complete the remaining funding, which is currently estimated at $5.5 million assuming no changes to current actuarial assumptions or the fair value of plan assets, and to complete the procedures to terminate and wind up the plan.

DERIVATIVE INSTRUMENTS

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in exchange rates, commodity prices and interest rates. Derivative financial instruments are not used for speculative purposes. During the twelve months ended October 2, 2011, the Company entered into forward foreign exchange contracts and zero-cost collar options in order to minimize the exposure of forecasted cash inflows and outflows in currencies other than the U.S. dollar, interest rate swap contracts in order to minimize the exposure to potential increases in interest rates, and to a lesser extent, cotton derivative contracts in order to reduce the exposure of forecasted cash outflows related to some of its raw material consumption needs. Please refer to note 22 to the 2011 audited annual consolidated financial statements for a description of the maturities, carrying values and fair values of the derivative financial instruments outstanding as at October 2, 2011.

OUTSTANDING SHARE DATA

Our common shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol GIL. As at November 30, 2011 there were 121,410,406 common shares issued and outstanding along with 1,150,000 stock options and 914,390 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 pre-determined 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 at least 50% of each Treasury RSU grant is contingent on the achievement of performance conditions that are primarily based on the Company's average return on assets performance for the period as compared to the S&P/TSX Capped Consumer Discretionary Index, excluding income trusts, or as determined by the Board of Directors.

DECLARATION OF DIVIDEND

In December 2010, the Board of Directors approved the introduction of a quarterly cash dividend. During fiscal 2011, the Company has paid an aggregate of $27.5 million of dividends. On November 29, 2011, the Board of Directors declared a quarterly dividend of $0.075 per share for an expected aggregate payment of $9.1 million which will be paid on January 6, 2012 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on December 15, 2011. The Board of Directors will consider several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's revolving long-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 payment of dividends under the Company's dividend policy.

NORMAL COURSE ISSUER BID

In December 2010, the Company announced the reinstatement of a normal course issuer bid to repurchase up to one million outstanding common shares of the Company on the TSX and the NYSE (the "NCIB"). During fiscal 2011, the Company repurchased and cancelled a total of 0.4 million common shares for a total cost of $10.5 million. Of the total cost, $0.3 million was charged to share capital and $10.2 million was charged to retained earnings as there was no amount of contributed surplus attributable to these common shares. On December 2, 2011 the TSX approved the renewal of the Company's NCIB to purchase up to one million common shares, representing approximately 0.8% of its issued and outstanding common shares, in accordance with the requirements of the TSX. Common shares purchased under the NCIB will be cancelled.

LEGAL PROCEEDINGS

SECURITIES CLASS ACTIONS

The Company and certain of its senior officers were named as defendants in a number of class action lawsuits filed in the United States District Court for the Southern District of New York, which were subsequently consolidated, alleging claims under the U.S. securities laws, as well as in class action lawsuits filed in the Ontario Superior Court of Justice and in the Quebec Superior Court. Each of these U.S. and Canadian lawsuits alleged, among other things, that the defendants misrepresented the Company's financial condition and its financial prospects in its earnings guidance concerning the 2008 fiscal year, which guidance was subsequently revised on April 29, 2008.

On August 3, 2010, the Company announced that it had entered into an agreement to settle all claims raised in these class action lawsuits, subject to final approval from the courts, on behalf of all persons who acquired the Company's common shares between August 2, 2007 and April 29, 2008 (the "Class Members"). Final court approval of the settlement was obtained from each of the courts in February and March 2011 and all of the actions have been dismissed on terms including releases from Class Members of the claims against the Company and the named senior officers. The settlement agreement provided for a total settlement amount of $22.5 million, which has been entirely funded by the Company's insurers. Therefore no provision has been recorded in the consolidated financial statements and no amounts have been disbursed by the Company in respect of the settlement.

OUTLOOK

A discussion of management's expectations as to our outlook for fiscal 2012 is contained in our fourth quarter earnings results press release dated December 1, 2011 under the section entitled "Outlook". The press release is available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov and on our website at www.gildan.com.

FINANCIAL RISK MANAGEMENT

This section of the MD&A provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices, and how the Company manages those risks. The disclosures under this section, in conjunction with the information in note 22 to the 2011 audited annual consolidated financial statements ("Financial Instruments"), are designed to meet the requirements of the CICA Handbook Section 3862, *Financial Instruments-Disclosures*, and are therefore incorporated into, and are an integral part of, the 2011 audited annual consolidated financial statements.

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates, commodity prices and interest rates. Derivative financial instruments are not used for trading purposes.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's trade receivables. The Company may also have credit risk relating to cash and cash equivalents, forward foreign exchange contracts, zero-cost collar options and interest rate swaps, which it manages by dealing only with highly-rated North American and European financial institutions. Our trade receivables and credit exposure fluctuate throughout the year based on the seasonality of our sales and other factors. The Company's average trade receivables and credit exposure during an interim reporting period may be significantly higher than the balance at the end of that reporting period.

The Company's credit risk for trade receivables is concentrated, as the majority of its sales are to a relatively small group of wholesale distributors and mass-market retailers. As at October 2, 2011, the Company's ten largest trade debtors accounted for 52% of trade accounts receivable, of which one wholesale customer accounted for 10% and one mass-market retailer accounted for 13%. Of the Company's top ten trade debtors, six are wholesale distributors, four are mass-market retailers and all ten are located in the United States. The remaining trade receivable balances are dispersed among a larger number of debtors across many geographic areas including the United States, Canada, Europe, Mexico and the Asia-Pacific region.

Most sales are invoiced with payment terms of between 30 to 60 days. In accordance with industry practice, sales to wholesale distributors of certain seasonal products, primarily in the second half of the fiscal year, are invoiced with extended payment terms, generally not exceeding six months. From time-to-time, the Company may initiate other special incentive programs with extended payment terms.

Most of the Company's customers have been transacting with the Company or its subsidiaries for several years. Many distributors and other customers in the screenprint channel are highly-leveraged with significant reliance on trade credit terms provided by a few major vendors, including the Company, and third-party debt financing, including bank debt secured with accounts receivable and inventory pledged as collateral. The financial leverage of these customers may limit or prevent their ability to refinance existing indebtedness or to obtain additional financing, and could affect their ability to comply with restrictive debt covenants and meet other obligations. The profile and credit quality of the Company's retail customers varies significantly. Adverse changes in a customer's 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. Future credit losses relating to any one of our top ten customers could be material and could result in a material charge to earnings.

The Company's extension of credit to customers involves considerable judgment and is based on an evaluation of each customer's financial condition and payment history. The Company has established various internal controls designed to mitigate credit risk, including a dedicated credit function which recommends customer credit limits and payment terms that are reviewed and approved on a quarterly basis by senior management at the Company's sales offices in Barbados and Charleston, South Carolina. Where available, the Company's credit departments periodically review external ratings and customer financial statements, and in some cases obtain bank and other references. New customers are subject to a specific vetting and pre-approval process. From time to time, the Company will temporarily transact with customers on a prepayment basis where circumstances warrant. While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective, or that the Company's low credit loss experience will continue.

The Company's exposure to credit risk for trade receivables by geographic area and type of customer was as follows as:

(in $ millions)	**October 2, 2011**	October 3, 2010
United States	**163.3**	118.4
Europe	**14.0**	13.4
Canada	**8.2**	6.4
Other regions	**6.1**	7.5
Total trade receivables	**191.6**	145.7

(in $ millions)	**October 2, 2011**	October 3, 2010
Distributors and other customers in the screenprint channel	**118.0**	96.3
Mass-market and regional retailers	**73.6**	49.4
Total trade receivables	**191.6**	145.7

The aging of trade receivable balances was as follows as at:

(in $ millions)	**October 2, 2011**	October 3, 2010
Not past due	**166.9**	129.1
Past due 0-30 days	**21.0**	17.5
Past due 31-60 days	**2.8**	3.5
Past due 61-120 days	**1.4**	1.2
Past due over 121 days	**3.6**	1.4
Trade receivables	**195.7**	152.7
Less allowance for doubtful accounts	**(4.1)**	(7.0)
Total trade receivables	**191.6**	145.7

The movement in the allowance for doubtful accounts in respect of trade receivables was as follows:

(in $ millions)	**October 2, 2011**	October 3, 2010
Balance, beginning of year	**7.0**	6.0
Bad debt expense	**0.6**	2.4
Write-off of accounts receivable	**(3.8)**	(1.4)
Increase due to the acquisition of Gold Toe Moretz	**0.3**	-
Balance, end of year	**4.1**	7.0

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. We require continued access to capital markets to support our operations as well as to achieve our strategic plans. We rely on cash resources, debt and cash flows generated from operations to satisfy our financing requirements. Any impediments to our ability to continue to meet the covenants and conditions contained in our revolving long-term credit facility as well as our ability to access capital markets, or the failure of a financial institution participating in our revolving long-term credit facility, or an adverse perception in capital markets of our financial condition or prospects, could have a material impact on our financing capability. In addition, our access to financing at reasonable interest rates could become influenced by the economic and credit market environment.

We manage liquidity risk through the management of our capital structure and financial leverage, as outlined in note 23 to the 2011 audited annual consolidated financial statements ("Capital Disclosures"). In addition, we manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our sales and receipts. We also monitor the impact of credit market conditions in the current environment. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as transactions such as the declaration of dividends, the initiation of share repurchase programs, mergers, acquisitions and other major investments or divestitures.

The Company has a committed revolving long-term credit facility for a maximum of $800 million which expires in June 2016. The Company's revolving long-term credit facility is subject to various financial covenants including a net debt to trailing twelve months EBITDA ratio and an interest coverage ratio. The Company was in compliance with all covenants as at October 2, 2011. This facility is unsecured and amounts drawn bear interest at a variable banker's acceptance or U.S. LIBOR-based interest rate plus a spread ranging from 125 to 200 basis points. As at October 2, 2011, $209.0 million (October 3, 2010 – nil) was drawn under this facility bearing a combined effective interest rate for the period of 2.3%, including the impact of interest rate swaps. In addition, an amount of $5.8 million (October 3, 2010 - $12.7 million) has been committed against this facility to cover various letters of credit as described in note 14 to the 2011 audited consolidated financial statements.

FOREIGN CURRENCY RISK

The majority of the Company's cash flows and financial assets and liabilities are denominated in U.S. dollars, which is the Company's functional and reporting currency. Foreign currency risk is comprised of the portion of the Company's business transactions denominated in currencies other than U.S. dollars, primarily for sales revenues and distribution expenses for customers outside of the United States, and head office expenses in Canada. In addition, the Company is exposed to foreign currency fluctuations related to purchases of finished goods by our Gold Toe Moretz subsidiary from foreign suppliers. The Company's exposure relates primarily to changes in the U.S. dollar versus the Canadian dollar, the British pound, the Euro, the Australian dollar, the Mexican peso, and the Chinese Renminbi exchange rates. The Company also incurs a portion of its manufacturing costs in foreign currencies, primarily payroll costs paid in Honduran Lempiras. Although the value of the Lempira has been fixed relative to the U.S. dollar since 2005, the Honduran government adopted a floating currency system during fiscal 2011 which allows the Lempira to float against the U.S. dollar within a restricted range. For the Company's foreign currency transactions, fluctuations in the respective exchange rates relative to the U.S. dollar will create volatility in the Company's cash flows and the reported amounts for sales, cost of sales and SG&A expenses in its consolidated statement of earnings, both on a period-to-period basis and compared with operating budgets and forecasts. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the U.S. dollar at the rates of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss and included in financial expense (income) in the statement of earnings.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows, by transacting with third parties in U.S. dollars to the maximum extent possible and practical, and holding cash and cash equivalents and incurring borrowings in U.S. dollars. The Company monitors and forecasts the values of net foreign currency cash flows and balance sheet exposures, and from time-to-time will authorize the use of derivative financial instruments such as forward foreign exchange contracts, and zero-cost collar options to hedge a portion of foreign currency cash flows, with maturities of up to two years. The Company does not use forward foreign exchange contracts for speculative purposes. During fiscal 2011, the Company entered into forward foreign exchange contracts as well as zero-cost collar options in order to mitigate the exposure of forecasted cash inflows and outflows in currencies other than the U.S. dollar. The Company had forward foreign exchange contracts and zero-cost collar options outstanding as at October 2, 2011 consisting primarily of contracts to sell or buy Euros, British pounds, Australian dollars, Canadian dollars, and Mexican pesos in exchange for U.S. dollars. These outstanding contracts and other foreign exchange contracts that were settled during fiscal 2011 were designated as cash flow hedges and qualified for hedge accounting. We refer the reader to note 17 and note 22 to the 2011 audited annual consolidated financial statements for details of these financial derivative contracts and the impact of applying hedge accounting.

The following tables provide an indication of the Company's significant foreign currency exposures on the consolidated balance sheet as at October 2, 2011 arising from financial instruments:

	October 2, 2011				
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**AUD**
Cash and cash equivalents	1.3	0.5	1.8	0.5	1.0
Trade accounts receivable	7.8	5.8	3.2	5.8	3.4
Foreign exchange contracts (derivative asset)	1.4	0.2	0.3	1.3	0.1
Accounts payable and accrued liabilities	(30.0)	(7.3)	(0.2)	-	-
Foreign exchange contracts (derivative liability)	-	(0.2)	(0.1)	-	(0.1)

Based on the Company's foreign currency exposures arising from financial instruments noted above, varying the foreign exchange rates to reflect a 5 percent strengthening of the U.S. dollar would have increased (decreased) net earnings and other comprehensive income as follows, assuming that all other variables remained constant:

	For the year ended October 2, 2011				
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**AUD**
Impact on net earnings before income taxes	1.0	-	(0.2)	(0.3)	(0.2)
Impact on other comprehensive income before income taxes	0.3	0.2	0.3	0.4	0.1

An assumed 5 percent weakening of the U.S. dollar during the year ended October 2, 2011 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

COMMODITY RISK FOR COTTON

The Company is subject to the commodity risk of cotton prices and cotton price movements, as all of its products are made of 100% cotton or blends of cotton and synthetic fibres. The Company's yarn-spinning joint venture (CanAm, whose accounts are included in the Company's consolidated financial statements) purchases cotton for the production of yarn, and the Company consumes all of CanAm's yarn production in the manufacture of its apparel products. In addition, the Company purchases cotton-based yarn from third party yarn manufacturers and the Company assumes the risk of cotton price fluctuations for these yarn purchases. The Company enters into contracts, up to eighteen months in advance of future delivery dates, to establish fixed prices for its cotton and cotton yarn purchases in order to reduce the effects of fluctuations in the cost of cotton used in the manufacture of its products. These contracts are not used for trading purposes, and are not considered to be financial instruments that would need to be accounted for at fair value in the Company's consolidated financial statements. Without taking into account the impact of fixed price contracts, a change of $0.01 per pound in cotton prices would affect the Company's annual raw material costs by approximately $4 million, based on current production levels.

The Company has the ability to enter into derivative financial instruments, including market-traded cotton futures and option contracts, to manage its exposure to movements in commodity prices. Such contracts would be accounted for at fair value in the consolidated financial statements in accordance with the accounting standards applicable to financial instruments. At the end of fiscal 2011 and 2010, the Company had no cotton related derivative financial instruments outstanding.

INTEREST RATE RISK

The Company's interest rate risk is primarily related to the Company's revolving long-term credit facility, for which amounts drawn are primarily subject to LIBOR rates in effect at the time of borrowing, plus a margin. Although LIBOR-based borrowings under the credit facility can be fixed for periods of up to six months, the Company generally fixes rates for periods of one to three months. The interest rates on amounts drawn on this facility and on any future borrowings will vary and are unpredictable. Increases in short term interest rates and increases in interest rates on new debt issues may result in a material increase in interest charges.

The Company has the ability to enter into derivative financial instruments that would effectively fix its cost of current and future borrowings for an extended period of time. During fiscal 2011, the Company entered into a series of interest rate swaps to fix the variable interest rates on a designated portion of the borrowings under the revolving long-term credit facility. As at October 2, 2011, the interest rate swap contracts were designated as cash flows hedges and qualified for hedge accounting. At the end of fiscal 2010, the Company had no interest rate swaps outstanding. We refer the reader to note 17 and note 22 to the 2011 audited annual consolidated financial statements for details of the interest rate swap contracts and the impact of applying hedge accounting.

Based on the value of interest-bearing financial instruments during the year ended October 2, 2011, an assumed 0.5 percentage point increase in interest rates during such period would have increased (decreased) net earnings and other comprehensive income as follows:

(in $ millions)	
Impact on net earnings before income taxes	(0.4)
Impact on other comprehensive income before income taxes	2.8

An assumed 0.5 percentage point decrease in interest rates would have had an equal but opposite effect on net earnings and other comprehensive income to the amounts shown above.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in note 1 to our 2011 audited annual consolidated financial statements. As required under Canadian GAAP, we make estimates when we account for and report assets, liabilities, revenues and expenses, and disclose contingent liabilities and fair values of financial instruments in our financial statements. These estimates involve varying degrees of judgment and uncertainty, and are based on a number of factors, including historical experience, current events and industry trends, information available from outside sources, our business plans, and other assumptions that we believe are reasonable based on information available at the time they are made. Given the inherent uncertainty involved in making estimates, actual results reported in future periods could differ materially from these estimates.

We consider the estimates described in this section to be an important part of understanding our financial statements because they require management to make assumptions and judgments about matters that are highly uncertain at the time the estimate was made, and changes to these estimates could have a material impact on our financial statements.

Allowance for Doubtful Accounts

Trade accounts receivable consists of amounts due from our normal business activities. We maintain an allowance for doubtful accounts to reflect expected credit losses. We provide for bad debts based on collection history and specific risks identified on a customer-by-customer basis. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and the credit-worthiness of each customer. Furthermore, these judgments must be continuously evaluated and updated. Uncollected accounts are written off through the allowance for doubtful accounts. We are not able to predict changes in the financial condition of our customers, and if circumstances related to our customers' financial condition deteriorate, our estimates of the recoverability of our trade receivables could be materially affected and we may be required to record additional allowances. Alternatively, if we provide more allowances than we need, we may reverse a portion of such provisions in future periods based on our actual collection experience.

Inventory Valuation

Our inventory is carried at the lower of First-In-First-Out cost and net realizable value. We regularly review inventory quantities on hand and record a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favorable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Sales Promotional Programs

In the normal course of business, certain incentives are granted to our customers including discounts and rebates. At the time of sale, estimates are made for customer price discounts and rebates based on the terms of 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, current trends and other known factors. If actual price discounts, rebates or returns differ from estimates, significant adjustments to net sales could be required in future periods.

Recoverability of Long-Lived Assets

Our long-lived assets are comprised of property, plant and equipment and identifiable intangible assets, which are recorded at cost less accumulated amortization, including asset impairment losses. Amortization 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 long-lived assets. Assessing the reasonableness of the estimated useful lives of long-lived assets requires judgment and is based on currently available information, including actual utilization experience and expected future business plans. We also review long-lived assets for potential impairment whenever events or 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 of an asset or group of assets exceed their fair value, with fair value being determined based upon discounted expected future cash flows or appraised values, depending on the nature of the asset or group of assets. 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 long-lived assets, and their fair value on an open market. Changes in circumstances, such as technological advances, adverse changes in third party licensing arrangements, changes to the Company's business strategy, and changes in economic conditions can result in actual useful lives and future cash flows differing significantly from estimates and could result in increased charges for amortization or impairment. Revisions to the estimated useful lives of long-lived assets or future cash flows constitute a change in accounting estimate and are applied prospectively.

Valuation and Impairment of Indefinite Life Intangible Assets Including Goodwill

We account for business acquisitions using the purchase method. Accordingly, the purchase price of a business acquisition is allocated to the identifiable net assets acquired including identifiable intangible assets, on the basis of estimated fair values as at the date of purchase, with any excess being assigned to goodwill. Indefinite life intangible assets and goodwill are not amortized, and are tested annually for impairment, or more frequently if an event or circumstance occurs that more likely than not reduces the fair value of the indefinite life intangible asset or reporting unit below its carrying amount. The amount of impairment loss recognized is measured as the amount by which the carrying value of an asset or reporting unit exceeds its fair value with fair value being determined based upon discounted expected future cash flows or appraised values, depending on the nature of the asset or reporting unit. The impairment test for indefinite life intangible assets and goodwill involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including expected sales, gross margins, SG&A expenses, capital expenditures, cash flows and the selection of an appropriate discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results as well as discount rates which are used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. There can be no assurance that the estimates and assumptions used in the impairment tests will prove to be accurate predictions of the future. If the future adversely differs from management's best estimate of key economic assumptions, and if associated cash flows materially decrease, the Company may be required to record material impairment charges related to its indefinite life intangible assets and goodwill.

Valuation of Accrued Pension Liability and Related Pension Cost

The valuation of the accrued pension liability and related pension cost related to Gold Toe Moretz's defined benefit pension plan requires economic assumptions, including expected rates of return on plan assets, discount rates to value plan obligations, and participant demographic assumptions including mortality rates. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, and actual results may differ significantly from the actuarial assumptions resulting in the requirement to recognize a portion of actuarial gains and losses in net 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 annual consolidated financial statements.

The Company's income tax provisions and income tax assets and liabilities are based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. The Company recognizes the benefits of uncertain tax filing positions in its financial statements when it is considered likely that the tax position will be sustained upon examination by tax authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized from such positions are measured at the best estimate of the amounts expected to be realized upon ultimate resolution. The Company periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant, such as changes to tax laws, administrative guidance, change in management's assessment of the technical merits of its position due to new information, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within relevant statutes. Previously recognized tax benefits relating to uncertain tax filing positions are derecognized if it becomes likely that the tax position will no longer be upheld. Actual results, including the resolution 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 the Company 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.

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, based on estimates of future taxable income in applicable jurisdictions and other assumptions. To the extent that it is determined that it is no longer more likely than not that the asset will be realized, a valuation allowance is provided. As indicated in note 15 to the 2011 audited annual consolidated financial statements, we have recognized a future tax asset of $67.9 million at October 2, 2011 relating to the tax benefit of tax loss carryforwards, and a future income tax asset of $11.7 million relating to taxable temporary differences. These future tax assets relate primarily to our U.S. subsidiaries which file a consolidated federal tax return. We have concluded that it is more likely than not that these future tax assets will be realized, taking into account our projections of future taxable income and the expected reversal of taxable temporary differences during the tax loss carryforward period. Our projections of future taxable income involve the use of significant assumptions, estimates and judgments with respect to a variety of factors, including sales and operating expenses. There can be no assurance that the estimates and assumptions used in our projections of future taxable income will prove to be accurate predictions of the future, and in the event that our assessment of the recoverability of these future tax assets changes in the future, a material reduction in the carrying value of these future tax assets could be required, with a corresponding charge to net earnings.

ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

ACCOUNTING POLICIES

The Company applied the same accounting policies in the preparation of its 2011 audited annual consolidated financial statements as those applied in the preparation of its 2010 audited annual consolidated financial statements. As a result of the acquisition of Gold Toe Moretz in April 2011, the method of amortization and estimated useful lives for the acquired intangible assets, and the method of accounting for the defined benefit pension plan are disclosed in note 1(h) and note 1(u) to the 2011 audited annual consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that IFRS, as issued by the International Accounting Standards Board (IASB), will replace Canadian GAAP for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. As a result, the changeover to IFRS will be required for our fiscal 2012 interim and annual financial statements beginning October 3, 2011 (the "changeover date") with comparative information presented for fiscal 2011.

IFRS 1, *First Time Adoption of International Financial Reporting Standards*, requires that first-time adopters select accounting policies that are in compliance with each IFRS effective at the end of a company's first annual IFRS reporting period (September 30, 2012 for Gildan), and apply those policies to all periods presented in their first IFRS financial statements including the comparative periods. Therefore, the starting point for our accounting in accordance with IFRS will be fiscal 2011, beginning on October 4, 2010 (the "transition date") although the interim and annual financial statements for fiscal 2011 will only be published in accordance with IFRS in fiscal 2012 as comparative information.

The following information is presented to comply with Canadian Securities Administrators Staff Notice 52-320, *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards*. This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the possible effects on our operations. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information reflects assumptions based on information available as at the date of this report, and circumstances may arise, such as changes in IFRS standards or economic conditions, which could materially change these assumptions, and may cause the Company to select different accounting policies than the conclusions reached to date. In addition, the IASB has a number of on-going projects on its agenda, and IFRS standards and interpretations are continuously subject to change. Our summary of key expected changes is complete with the expectation that we will apply IFRS in effect as at the date of this report. However we will only make final decisions regarding early adoption of any new standards as they are issued by the IASB. We continuously review all developments issued by the IASB, the AcSB, and the Canadian Securities Administrators (CSA), and assess the impact of any new developments on our IFRS transition plan and make any necessary changes accordingly.

Progress towards Completion of our IFRS Changeover Plan

In preparation for the changeover to IFRS, we developed an IFRS transition plan consisting of three phases - 1) Scoping and Diagnostic Phase, 2) Detailed Impact Analysis and Design Phase, and 3) Implementation and Review Phase. Our IFRS transition continues to proceed on schedule, and as at October 2, 2011, we have completed the first and second phases of our IFRS transition plan. The implementation and review phase is currently underway, and will continue until our first complete annual financial reporting under IFRS is released as at and for the year ending September 30, 2012.

There have been no significant changes to the key elements of our changeover plan, and no new accounting differences have been identified since the last update on our IFRS transition plan, as reported in the 2010 annual MD&A and as subsequently updated in our quarterly interim MD&As throughout fiscal 2011. The key elements and status of our changeover plan are as follows:

Information technology and data systems

Systems and processes are currently in place to collect the information required under IFRS. Although new reports are required to capture new information required for presentation and disclosure under IFRS, the transition to IFRS has not required significant changes to our information technology systems and reports. Our systems are considered to be reliable for purposes of generating the comparative fiscal 2011 financial information that needs to be provided in accordance with IFRS during fiscal 2012, as well as the information required in the opening balance sheet as at the transition date.

Internal controls over financial reporting

Internal control processes and procedures have been implemented in order to address the key accounting differences resulting from the changeover to IFRS. Internal controls applicable to our reporting process under Canadian GAAP will be substantially the same as those required in our IFRS reporting environment.

Disclosure controls and procedures

Disclosure controls and procedures are being updated to include all data required for additional financial statement disclosures under IFRS. Our disclosure controls and procedures are also being updated to ensure that information is appropriately communicated in our external communications and other periodic published reports.

Financial expertise including training requirements

The project to transition to IFRS is being led by the Corporate Accounting group in Montreal. The Corporate Accounting group has the appropriate resources and skills to effectively complete the changeover to IFRS on a timely basis, and internal communication and education is being rolled out in phases throughout the Company as the key elements are addressed. Periodic meetings are held with management and the Audit and Finance Committee in order to keep them informed of the progress of our transition plan. External advisors are also being consulted on an as needed basis to review our transition work plan and business impact analysis, and advise us on issues as they arise.

Business contracts, including the impact on operating agreements and key performance indicators

Business contracts which are affected by financial results such as financial covenants and long-term incentive plans have been reviewed to assess the impact from the changeover to IFRS. The changeover to IFRS has not had a significant impact on our business contracts.

Accounting policies, including choices among policies permitted under IFRS

We have completed our review of accounting differences and accounting policy alternatives under IFRS as compared to Canadian GAAP, and the potential impact of such differences on the Company's accounting at the transition date and on an ongoing basis. We have identified a number of areas where there will be some impact on the recognition and measurement of certain balance sheet and statement of earnings items as noted below.

The following is a summary of the significant differences between Canadian GAAP and IFRS that have been identified to date:

1) Investment in consolidated joint venture : Our consolidated financial statements currently include the accounts of our yarn-spinning joint venture CanAm, as we are considered the primary beneficiary of this entity under Canadian GAAP, in part because we consume all of CanAm's production. Our partner's share of the net assets and net earnings of CanAm are reflected as a non-controlling interest adjustment in our consolidated balance sheet and statement of earnings and comprehensive income. Under IFRS, CanAm is considered a jointly controlled entity and we are not deemed to exercise control. Consequently, we will no longer consolidate CanAm, in which case we will account for this investment using the equity method as at the opening IFRS balance sheet.

Impact on transition date opening balance sheet : Under the equity method, which is effectively a "one-line consolidation method", our net investment in CanAm will be presented as a long-term asset on one line in our consolidated balance sheet, for an amount equal to our initial investment and our cumulative share of undistributed earnings which has been determined to be approximately $12.5 million as at the transition date. The removal of the assets and liabilities of CanAm from the consolidated balance sheet of the Company and the addition of a long-term asset will result in a net decrease in total assets of approximately $10 million and a corresponding decrease in total liabilities and non-controlling interest in consolidated joint venture.

Impact on post-transition date financial position and results of operations : Net earnings are not expected to be affected by this change, but there will be non-material changes to the components of our net earnings, as our share of CanAm's net earnings will be presented in a separate caption in the statement of earnings, appearing below the gross profit subtotal. In addition, the Company's consolidated statement of cash flows will no longer include the cash flows of CanAm, and in particular the cash flows related to CanAm's capital expenditures and borrowings will no longer be included in the Company's cash flows relating to investing activities and financing activities. However, any additional investments in or dividends received from CanAm will be presented as part of cash flows relating to investing activities. Except for the elimination of unrealized intercompany profits, any transactions between the Company and CanAm post transition will no longer be eliminated upon consolidation, but will instead be recorded, measured and disclosed as a related party transaction in the Company's consolidated financial statements.

2) Business combinations – Transaction costs and restructuring costs: Under IFRS, transaction costs and restructuring costs are generally charged to earnings as incurred. Under Canadian GAAP, transaction costs and certain anticipated post-acquisition restructuring and integration costs are included in the cost of the purchase (which usually results in such costs being added to goodwill).

Impact on transition date opening balance sheet : As noted below, we have elected to use an optional exemption that will allow us to apply IFRS guidance only for business combinations that occurred after the transition date, and accordingly we do not expect to record adjustments to the opening IFRS balance sheet for this accounting policy difference.

Impact on post-transition date financial position and results of operations : An adjustment of $5.8 million, net of income taxes, will be made to the 2011 comparative figures under IFRS as a charge to restructuring and acquisition-related costs with a corresponding reduction to goodwill with respect to the acquisition-related costs incurred in connection with the acquisition of Gold Toe Moretz in April 2011.

3) Business combinations - Contingent consideration: Under Canadian GAAP, contingent consideration is recognized at the date of acquisition of a business when the amount can be reasonably estimated and the outcome is determinable beyond reasonable doubt. Otherwise, contingent consideration is recognized when resolved. When there are revisions to the amount of contingent consideration, the fair value of the consideration issued is recognized as an additional cost of the purchase (which usually results in such costs being added to goodwill). Under IFRS, contingent consideration is recognized at the date of acquisition at fair value, generally as a liability, and the impact of changes in the subsequent remeasurement of contingent consideration is recorded in net earnings.

Impact on transition date opening balance sheet : An adjustment will be recorded to recognize a liability of $5.7 million at the transition date with a corresponding decrease to retained earnings on a pre-tax basis, with respect to a contingent consideration as part of a business combination that occurred in fiscal 2008, which was recognized under Canadian GAAP after the transition date. This adjustment is charged to retained earnings under IFRS rather than goodwill because IFRS does not permit transition date adjustments to be made to goodwill in this case.

Impact on post-transition date financial position and results of operations: An adjustment will be recorded to increase goodwill by approximately $3 million, net of deferred income taxes, relating to the recognition of the estimated fair value of contingent consideration at the date of acquisition of Gold Toe Moretz, which was not recognized under Canadian GAAP. This adjustment will also result in an increase to liabilities of approximately $5 million under IFRS as at the date of acquisition. The re-measurement of the contingent consideration will result in a credit to net earnings of approximately $1.0 million, net of income taxes, to the 2011 comparative figures under IFRS.

4) Business combinations – Accrued benefit liabilities: Under IFRS, the effects of any planned, but not executed, amendments, terminations, or curtailments to defined benefit pension plans and other postretirement plans acquired are excluded from the measurement of the funded status of those plans at the date of acquisition. Planned or anticipated amendments, terminations, or curtailments are not part of the liabilities assumed as of the acquisition date. Such actions are recognized in the post business combination financial statements as a charge or credit to earnings. Under Canadian GAAP, the accrued benefit asset or accrued benefit liability at the time of acquisition is measured based on the amount expected to be received or paid on settlement, when the plan is expected to be wound up.

Impact on transition date opening balance sheet : No impact.

Impact on post-transition date financial position and results of operations: As a result of the planned termination of the Gold Toe Moretz defined benefit pension plan, the initial measurement of the accrued pension benefit liability at the date of acquisition was lower under IFRS resulting in a decrease in liabilities of $4.7 million, and a corresponding decrease in goodwill of $3 million, net of deferred income taxes at the date of acquisition. The subsequent impact on net earnings related to differences in the measurement of the accrued benefit liability at October 2, 2011 under IFRS will result in a charge of $2.2 million, net of income taxes, to the 2011 comparative figures under IFRS.

5) Defined benefit pension plan: Under IFRS, the funded status of defined benefit pension plans must be presented on the balance sheet by recording the unrecognized actuarial gains and losses and prior service cost in accumulated other comprehensive loss. Under Canadian GAAP, unrecognized gains or losses are not required to be recorded on the balance sheet.

Impact on transition date opening balance sheet : No impact.

Impact on post-transition date financial position and results of operations: An adjustment will be recorded to increase the pension liability by $3.7 million as at October 2, 2011 under IFRS, with a corresponding charge of $2.3 million, net of deferred income taxes, to other comprehensive income, to the 2011 comparative figures under IFRS.

6) Borrowing costs: Under IFRS, borrowing costs incurred during the period in which an asset is being constructed must be capitalized as part of the cost of the asset. Under the Company's current accounting policy, all borrowing costs are charged to earnings and included in financial expense (income).

Impact on transition date opening balance sheet : As noted below, we expect to use an optional exemption that will allow us to capitalize borrowing costs only for assets for which the commencement date for capitalization is on or after the transition date. Accordingly, there is no opening IFRS balance sheet adjustment for borrowing costs incurred prior to the transition date.

Impact on post-transition date financial position and results of operations: As the Company has a history of constructing its manufacturing facilities, it is reasonable to expect that a portion of the Company's borrowing costs incurred in periods subsequent to the adoption of IFRS will be capitalized, although the amount of capitalized costs will depend on the scale of future construction activity and the level of interest-bearing indebtedness, if any, outstanding during the period of construction.

7) Income taxes - Assets transferred between entities within the consolidated group : Under Canadian GAAP, deferred income tax assets and liabilities are not recognized for temporary differences arising from assets transferred between entities within the consolidated group, although any income tax expense/recovery incurred by the selling entity is deferred on the balance sheet as a non-tax asset/liability. Under IFRS, the tax expense/recovery incurred by the selling entity is not deferred, but a deferred income tax asset/liability is recorded for the temporary difference resulting from the internal transfer (essentially the change in the tax basis), valued at the buying entity's tax rate.

Impact on transition date opening balance sheet : This difference will result in the recognition of a deferred income tax asset of approximately $1.6 million at the transition date for the tax effect of temporary differences for certain inventories which have been transferred between group entities, with a corresponding entry to retained earnings.

Impact on post-transition date financial position and results of operations: No significant impact is expected subsequent to the adjustment recorded on the opening balance sheet at the transition date.

8) Income taxes - Deferred tax assets in a business combination recognized subsequent to the measurement period : Under Canadian GAAP, additional deferred tax assets of the acquiree that are not initially recognized within the measurement period, but are recognized subsequent to the measurement period are recognized first as a reduction of goodwill, then as a reduction of intangible assets before any adjustment is recognized in net earnings. Under IFRS, additional deferred tax assets of the acquiree do not result in a reduction of intangible assets, and if recognized after the measurement period, the adjustment is recognized in net earnings.

Impact on transition date opening balance sheet : This difference will result in an opening IFRS balance sheet adjustment of approximately $5.5 million at the transition date as an increase to intangible assets, with a corresponding increase to retained earnings, in order to reverse a reduction of intangible assets recorded under Canadian GAAP related to deferred tax assets that were recognized subsequent to the measurement period related to a previous business combination.

Impact on post-transition date financial position and results of operations: Annual amortization expense, which will be included in SG&A, will increase by approximately $0.4 million over the remaining useful life of the intangible asset, which is approximately sixteen years.

9) Significant separable components of property, plant and equipment: Under Canadian GAAP, the cost of an item of property, plant and equipment made up of significant separable component parts are allocated to the component parts only when practicable and when estimates can be made of the lives of the separate components. Under IFRS, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Impact on transition date opening balance sheet : Subsequent to a review of the significant components of property, plant and equipment, an adjustment of $2.2 million will be recorded at the date of transition as a reduction of property, plant and equipment, with a corresponding decrease to opening retained earnings as at October 4, 2010 to reflect the cumulative impact of revisions made to the useful lives of significant components of certain properties and plants.

Impact on post-transition date financial position and results of operations: The impact on future net earnings as a result of the revised useful lives of the significant components of certain properties and plants is an increase in annual depreciation expense of approximately $0.8 million.

10) Impairment of long-lived assets including goodwill: Under Canadian GAAP, the impairment test for long-lived depreciable assets or asset groups is a two-step process. The first step involves comparing an asset or asset group's carrying value to its undiscounted future cash flows. If an asset or asset group's undiscounted cash flows are below its carrying value, the second step is required whereby an impairment charge is measured by the difference between the asset or asset group's fair value and its carrying amount. In addition, the annual impairment test for goodwill under Canadian GAAP also involves a two-step process for testing impairment. The first step involves determining the fair value of a reporting unit based on the present value of expected future cash flows, and if the carrying amount is less than the fair value, then the second step is required in which the fair value determined in step one is allocated to the assets and liabilities of the reporting unit, including the implied fair value of any intangible assets that would be recorded had the reporting unit been acquired in a business acquisition. Any fair value in excess of amounts allocated to the reporting unit's net assets represents the implied fair value of goodwill for that reporting unit. If the carrying value of the goodwill exceeds the implied fair value, the carrying amount is written down by an amount equal to such excess. IFRS only requires a one-step impairment test for identifying and measuring impairment for all long-lived assets, including goodwill, in which the carrying value of an asset or asset group (referred to as a Cash Generating Unit) is compared to its recoverable amount which is based upon the higher of (i) fair value less costs to sell and (ii) value-in-use, which includes estimates based on discounted future cash flows. An impairment charge is recorded if the carrying value is higher than the recoverable amount. In addition, unlike Canadian GAAP, IFRS requires impairment charges (except goodwill impairment charges) to be reversed when circumstances indicate that the impairment no longer exists.

Impact on transition date opening balance sheet : No impact.

Impact on post-transition date financial position and results of operations: In future periods, impairment rules under IFRS may result in more frequent write-downs due to the one-step impairment test, and volatility in the Company's financial position and results of operations may arise due to possible reversals of previously recorded impairment charges.

11) Leases: Under Canadian GAAP, quantitative thresholds are provided to assist in determining whether a lease should be classified as a financing/capital lease or an operating lease. Under IFRS, there are no specific quantitative thresholds, and additional qualitative indicators are provided to assist in determining lease classification.

Impact on transition date opening balance sheet : The findings of our review have indicated that a previous lease of a corporate aircraft, which was accounted for as an operating lease under Canadian GAAP, met the criteria for a financing lease under IFRS as at the transition date primarily due to the fact that we had given notice in fiscal 2010 to exercise an early purchase option on the lease for this corporate aircraft. This difference will result in an opening IFRS balance sheet adjustment of approximately $17 million, as an increase to our non-current assets with a corresponding increase in current liabilities at the transition date.

Impact on post-transition date financial position and results of operations: Depreciation and interest expense from the financing lease under IFRS will replace the lease expense previously charged to net earnings under Canadian GAAP, and lease payments will be recognized as repayments of principal and interest. During the second quarter of fiscal 2011, the Company completed the purchase of the corporate aircraft and immediately sold it to an external, unrelated party as disclosed in note 19(a) to the 2011 audited annual consolidated financial statements. The Company has leased a new corporate aircraft which is being accounted for as an operating lease under Canadian GAAP, and which will also be classified as an operating lease under IFRS.

12) Decommissioning and restoration liabilities: Under Canadian GAAP, asset retirement obligations, which are referred to as decommissioning and restoration liabilities under IFRS, are not required to be recognized when the timing and/or method of settlement are conditional on a future event, the entity has several options to settle the obligation, and the obligation has an indeterminate settlement date. Under IFRS, when the method and timing of the future settlement of an existing obligation are uncertain, an entity should determine a range of possible outcomes and methods of settlement and make an estimate of the future obligation. The Company has not recognized any liability and corresponding asset for the estimated future costs of decommissioning and restoring certain assets located at its textile and sock facilities under Canadian GAAP since the criteria for recognition have not been met. However, the findings of our review have indicated that an obligation exists under IFRS. As noted below, we have elected to use an optional exemption that will allow us to use a simplified approach to calculate the IFRS opening depreciated cost of the property, plant and equipment at the transition date relating to the decommissioning and restoration liability, as opposed to recalculating the asset value since its inception date as would otherwise be required under IFRS.

Impact on transition date opening balance sheet : The estimate of the present value of future decommissioning and restoration costs for certain assets at our offshore locations, will result in the recognition of a non-current liability of approximately $9 million with an offsetting increase to property, plant and equipment of approximately $6.5 million, and a reduction to retained earnings on a pre-tax basis of $2.5 million at the date of transition.

Impact on post-transition date financial position and results of operations: The increase in property, plant and equipment will increase our annual depreciation expense in subsequent years by approximately $0.3 million.

Key accounting policies not expected to be significantly impacted : The Company has also assessed other relevant standards, including but not limited to revenue recognition, inventories, and share based payments, and expects that these standards are likely to have less significance for the Company's changeover to IFRS.

Financial statement note disclosure

Compared to Canadian GAAP, IFRS requires significant additional disclosures, primarily in the notes to the annual financial statements. There are also a number of special transitional disclosures that will be required during fiscal 2012. We have identified the key additional disclosure requirements and expect to be in a position to provide the required disclosures when we begin reporting in IFRS during fiscal 2012.

IFRS 1 Optional Exemptions

The general requirement of IFRS 1 is full retrospective application of all accounting standards effective at an entity's first annual reporting date with any resulting adjustments generally recorded against retained earnings as of the transition date. IFRS 1 provides first-time adopters certain optional exemptions and mandatory exceptions from full retrospective application. The following table outlines the optional exemptions that the Company expects to use at the transition date:

Accounting Policy	Optional Exemption
Foreign exchange cumulative translation differences	The exemption permits the balance of any cumulative translation adjustment (CTA) to be eliminated by an adjustment to opening retained earnings at the transition date. As a result, the Company will eliminate its CTA balance of $26.2 million currently included in accumulated other comprehensive income through an adjustment to retained earnings at the transition date.
Decommissioning and restoration liabilities	The exemption permits the Company not to apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* retrospectively to calculate the opening depreciated cost of the asset relating to decommissioning and restoration liabilities under IFRS, but rather to use a simplified approach based on the discounted value of the liability at the transition date.
Business combinations	The exemption permits the Company not to apply IFRS 3, *Business Combinations*, to business combinations occurring prior to the transition date.
Share based payment transactions	The exemption permits the Company to apply IFRS 2, *Share- based Payment*, only to equity instruments that were granted after November 7, 2002 which have not yet vested at the transition date.
Borrowing costs	The exemption permits the capitalization of borrowing costs to be limited to qualifying assets for which commencement date for capitalization is on or after the date of transition.

RELATED PARTY TRANSACTIONS

We have transactions with Frontier Spinning Mills, Inc. (Frontier), which is the parent company of our joint venture partner, and which manages the operations of our joint venture, 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 $297.5 million (2010 - $156.8 million), along with $0.8 million (2010 - $0.8 million) relating to management fees for the year ended October 2, 2011. As at October 2, 2011, we had an outstanding payable to Frontier of $63.1 million (October 3, 2010 - $30.0 million). We also lease warehouse and office space from an officer of a subsidiary of the Company under operating leases. The payments made on these leases were in accordance with the terms of the lease agreements established and agreed to by the related parties, which amounted to $0.6 million for fiscal 2011 (2010 – nil). There were no amounts owing as at October 2, 2011.

DISCLOSURE CONTROLS

As stated in the Canadian Securities Administrators' National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* , disclosure controls and procedures means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, 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 at October 2, 2011. 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 authorization 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 at October 2, 2011, based on the framework set forth in *Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

Management's assessment of the effectiveness of our internal control over financial reporting as of October 2, 2011 excluded Gold Toe Moretz, which we acquired on April 15, 2011. Gold Toe Moretz is a wholly-owned subsidiary of ours whose total assets and total net sales represented approximately 24% of our consolidated total assets and approximately 7% of our consolidated net sales, respectively, as of and for the year ended October 2, 2011.

Companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company under guidelines established by the Securities and Exchange Commission.

Attestation Report of Independent Registered Public Accounting Firm

KPMG LLP, an independent registered public accounting firm, which audited and reported on our financial statements in this Report to Shareholders, has issued an unqualified attestation report on the effectiveness of our internal control over financial reporting as at October 2, 2011.

Changes in Internal Controls Over Financial Reporting

There have been no changes during fiscal 2011 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

In addition to the risks previously described under the sections "Financial Risk Management", "Critical Accounting Estimates", and those described elsewhere in this annual MD&A, this section describes the principal risks that could have a material and adverse effect on our financial condition, results of operations or business, cash flows or the trading price of our common shares, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements. The risks listed below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial condition, results of operations, cash flows or business.

Our ability to implement our strategies and plans

The growth of our business depends on the successful execution of our key strategic initiatives, specifically to maximize screenprint market share penetration, leverage our successful business model to further penetrate the mass-market retail channel, continue to generate manufacturing and distribution cost reductions, and continue to evaluate opportunities to reinvest cash flows. We may not be able to successfully implement our growth strategy in the future. In spite of our core competencies and historical success in achieving market share penetration and sales growth, we may not succeed in growing our market share in the U.S. and international screenprint markets, as well as further penetrating the mass-market retail channel and achieving targeted levels of profitability. Success factors may be different and economic returns may be lower in new market channels and new geographical markets which the Company enters. Also, there can be no assurance that we do not encounter operational issues that may affect or disrupt our production or supply chain or that we will be successful in optimizing our manufacturing and distribution cost reduction initiatives. In addition, our ability to generate cash flows from operations will depend on the success we have in executing our key strategic initiatives, which in turn will ultimately impact our ability to reinvest cash flows or distribute cash flows to our shareholders. We may be unable to identify acquisition targets, successfully integrate a newly acquired business, or achieve expected synergies from such integration.

Our ability to compete effectively

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 are described more fully in the business description contained under the heading "Competitive Environment" in the section entitled "Our Business" in this annual MD&A.

Our ability to remain competitive in the areas of price, quality, service, marketing, manufacturing and distribution will, in large part, determine our future success. Increased competition may result in the loss of customers to competitors, reduction in customer orders or shelf space, lower prices, the need for customer price incentives and other forms of marketing support to our customers, all of which could have an adverse effect on our profitability if we are unable to offset such negative impact with new business or cost reductions. There can be no assurance that we will be able to maintain or improve our competitive position.

Adverse changes in general economic conditions

Although we manufacture basic, non-fashion, frequent-replenishment products used by consumers in a wide variety of applications, general economic and financial conditions, globally or in one or more of the markets we serve, may adversely affect our business. If there is a decline in economic growth and in consumer and commercial activity, and/or if adverse financial conditions exist in the credit markets, as in the case of the global credit crisis in 2008 and 2009, this may lead to lower demand for our products resulting in sales volume reductions and lower selling prices, and may cause us to operate at levels below our optimal production capacity, which would result in higher unit production costs, all of which could adversely affect our profitability and reduce cash flows from operations. Weak economic and financial conditions could also negatively affect the financial condition of our customers, which could result in lower sales volumes and increased credit risk. The nature and extent of the Company's credit risks are described under the section "Financial Risk Management".

Our reliance on a small number of significant customers

We rely on a small number of customers for a significant portion of our total sales. In fiscal 2011 our largest and second largest customers accounted for 19.4% and 12.1% (2010 – 21.0% and 14.3%) of total sales respectively, and our top ten customers accounted for 61.1% (2010 – 66.4%) of total sales. We expect that these customers will continue to represent a significant portion of our sales in the future.

Future sales volumes and profitability could be adversely affected should one or more of the following events occur:

- a significant customer substantially reduces its purchases or ceases to buy from us, or Gildan elects to reduce its volume of business with or cease to sell to a significant customer, and we cannot replace that business with sales to other customers on similar terms;
- a large customer exercises its purchasing power to negotiate lower prices or to require Gildan to incur additional service and other costs;
- further industry consolidation leads to greater customer concentration and competition; and
- a large customer encounters financial difficulties and is unable to meet its financial obligations.

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 or commit to minimum shelf space allocation for 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 and retail customers, there can be no assurance that historic levels of business from any of our customers will continue in the future.

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 negatively 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. If we are unable to successfully anticipate, identify or react to changing styles or trends or misjudge the market for our products, our sales could be negatively impacted and we may be faced with unsold inventory which could adversely impact our profitability.

Our ability to manage production and inventory levels effectively in relation to changes in customer demand

Demand for our products may vary from year to year. We aim to appropriately balance our production and 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, we produce and carry finished goods inventory to meet the expected demand for delivery of specific product categories. If, after producing and carrying inventory in anticipation of deliveries, demand is significantly less than expected, we may have to carry 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 lower production levels, resulting in lower plant and equipment utilization and lower absorption of fixed operating costs. Alternatively, we are also exposed to loss of sales opportunities and market share, if we produce insufficient inventory to satisfy our customers' demand for specific product categories as a result of underestimating market demand or not meeting production targets, in which case our customers could seek to fulfill their product needs from competitors and reduce the amount of business they do with us.

Fluctuations and volatility in the price of raw materials used to manufacture our products

Cotton and polyester fibers are the primary raw materials used in the manufacture of our products. We also use chemicals, dyestuffs and trims which we purchase from a variety of suppliers. The price of cotton fluctuates and is affected by weather, consumer demand, speculation in 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 transportation costs and the cost of related items used in our business, such as polyester fibers, chemicals, dyestuffs and trims. As discussed under the heading entitled "Commodity Risk" in the "Financial Risk Management" section of this annual MD&A, the Company purchases cotton and polyester fibers 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 fibers. The Company may enter into contracts up to eighteen months in advance of future delivery dates to establish fixed prices for cotton and cotton yarn purchases and reduce the effect of price fluctuations in the cost of cotton used in the manufacture of its products. For future delivery periods where such fixed price contracts have been entered into, the Company will be protected against cotton price increases but would not be able to benefit from cotton price decreases. Conversely, in the event that we have not entered into sufficient fixed priced contracts for cotton or have not made other arrangements to lock in the price of cotton yarn in advance of delivery, we will not be protected against cotton price increases, but will be in a position to benefit from any cotton price decreases. A significant increase in raw material costs, particularly cotton costs, could have a material adverse effect on our business, results of operations and financial condition, if the increase or part of the increase is not mitigated through additional manufacturing and distribution cost reductions and/or higher selling prices, or if resulting selling price increases adversely impact demand for the Company's products. In addition, when the Company fixes its cotton costs for future delivery periods and the cost of cotton subsequently decreases significantly for that delivery period, the Company may need to reduce selling prices in response to competitive pricing pressures which could adversely impact the Company's results of operations.

Our dependence on key suppliers

Our ability to meet our customers' needs depends on our ability to maintain an uninterrupted supply of raw materials and finished goods from third party suppliers. More specifically, we source cotton and polycotton yarns primarily from the United States from our joint venture and from a limited number of outside suppliers. In addition, the vast majority of the products sold by our recently acquired Gold Toe Moretz subsidiary are purchased from a number of third party suppliers in Asia. Our business, financial condition or results of operations could be adversely affected if there is a significant change in our relationship with any of our principal suppliers of yarn or finished goods, or if any of these key suppliers have difficulty sourcing cotton fibers and other raw materials, experience production disruptions, fail to maintain production quality, experience transportation disruptions or encounter financial difficulties. These events can result in lost sales, cancellation charges or excessive markdowns, all of which can adversely affect our business, financial condition or results of operations.

Climate, political, social and economic risks in the countries in which we operate or from which we source production

The majority of our products are manufactured in Central America, primarily in Honduras and the Caribbean Basin, and to a lesser extent in Bangladesh, as described in the section entitled "Our Operations". As a result of the acquisition of Gold Toe Moretz we are now purchasing significant volumes of finished goods from third party suppliers in China and Pakistan. Some of the countries in which we operate or source from have experienced political, social and economic instability in the past, and we cannot be certain of their future stability. In addition, most of our facilities are located in geographic regions that are exposed to the risk of, and have experienced in the past, hurricanes, floods and earthquakes, and any such events in the future could have a material adverse impact on our business.

The following conditions or events could disrupt our supply chain, interrupt production at our facilities or those of our suppliers, increase our cost of sales or result in unforeseen capital expenditures:

- fires, pandemics, extraordinary weather conditions or natural disasters, such as hurricanes, tornadoes, floods, tsunamis and earthquakes;
- 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.

We rely on certain international trade agreements and preference programs and are subject to evolving international trade regulations

As a multinational corporation, we are affected by international trade legislation, bilateral and multilateral trade agreements and trade preference programs in the countries in which we bring goods to market and the countries where we source products. We have strategically positioned our manufacturing facilities to take advantage of a number of trade liberalization measures providing us duty free access to many of our markets. Such measures are advantageous because of the otherwise generally high duty rates that apply to apparel products in many countries. The Company relies on a number of preferential trade programs which provide duty free access to the U.S. market, including the Caribbean Basin Trade Partnership Act and the Dominican Republic – Central America – United States Free Trade Agreement. The Company relies on similar arrangements to access the European Union, Canada and other markets. Changes to trade agreements or trade preference programs may negatively impact our competitive position in the countries in which we operate.

Most trade agreements provide 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 likelihood that a safeguard will be adopted and the extent of its impact on our business cannot be determined with certainty.

As trade liberalization continues, it is possible that new legislation or trade agreements may be enacted in the future in the countries in which we manufacture, the markets in which we distribute our product or in countries in which our competition has operations. Any new legislation, trade agreements or trade measures introduced may negatively impact our global competitive position.

In addition, the Company is subject to customs audits and origin verifications 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.

In recent years, governmental bodies have responded to the increased threat of terrorist activity by requiring greater levels of inspection of imported goods and imposing security requirements on importers, carriers and others in the global supply chain. These added requirements can sometimes cause delays and increase costs in bringing imported goods to market. We believe we have effectively addressed these requirements to maximize velocity in our supply chain, but changes in security requirements or tightening of security procedures, for example, in the aftermath of a terrorist incident, could cause delays in our goods reaching market.

Factors or circumstances that could increase our effective income tax rate

The Company benefits from a low overall effective corporate tax rate as the majority of its profits are earned and the majority of its sales, marketing and manufacturing operations are carried out in low tax rate jurisdictions in Central America and the Caribbean Basin. The Company's income tax filing positions and income tax provisions are based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. Although the Company believes its tax filing positions are sustainable, we cannot predict with certainty the outcome of any audit undertaken by taxation authorities in any jurisdictions in which we operate, and the final result may vary compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in valuing its income tax assets and liabilities. Depending on the ultimate outcome of any such audit, there may be a material adverse impact on the Company's financial position, results of operations and cash flows. In addition, if the Company were to receive a tax reassessment by a taxation authority prior to the ultimate resolution of an audit, the Company could be required to submit an advance deposit on the amount reassessed.

The Company's overall effective income tax rate may also be adversely affected by the following: unanticipated changes to current domestic laws in the countries in which the Company operates; changes to the income tax treaties the Company currently relies on; changes in the location of the Company's operations that would result in a higher proportion of taxable income being reported in higher tax rate jurisdictions; an increase in income tax rates; and, changes to free trade and export processing zone rules in certain countries where the Company is currently not subject to income tax.

We have not recognized a future income tax liability for the undistributed profits of our subsidiaries, as we currently have no intention to repatriate these profits. If our expectations or intentions change in the future, we could be required to recognize a charge to earnings for the tax liability relating to the undistributed profits of our subsidiaries, which could also result in a corresponding cash outflow in the years in which the earnings would be repatriated. As at October 2, 2011, the estimated future taxes payable that would result in the event of a full repatriation of these undistributed profits is approximately $22 million.

Compliance with environmental, health and safety regulations

We are subject to various federal, state and local environmental and occupational health and safety laws and regulations in the jurisdictions in which we operate concerning, among other things, wastewater discharges, storm water flows, and solid waste disposal. Our manufacturing plants generate small quantities of hazardous waste, which are either recycled or disposed of off-site. As part of our Corporate Environmental Policy, we monitor, control and manage environmental issues through policies including, but not limited to, the recycling and creation of measures for waste prevention, minimization, recovery and treatment at all stages of the production cycle including the off-site disposal of any hazardous waste. 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 incur capital and other expenditures each year that are aimed at achieving compliance with current environmental standards. For fiscal 2011, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Company's capital expenditures, earnings and competitive position. Although we do not expect that the amount of these expenditures in the future will have a material adverse effect on our operations, financial condition or liquidity, future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions may result in substantial additional environmental remediation expenditures, negative publicity which could harm our reputation, or a disruption to our supply chain, which could have a material adverse effect on our business. Although we believe that we are in compliance in all material respects with the regulatory requirements of the jurisdictions in which our facilities are located, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be reasonably determined.

Our significant reliance on our information systems for our business operations

We place significant reliance on our information systems, including our JD Edwards Enterprise Resource Planning (ERP) system. We are preparing to upgrade our ERP system to the current release, Enterprise One, the first phase of which is expected to be implemented during fiscal 2012. We depend on our information systems to purchase raw materials and supplies, schedule and manage production, process transactions, summarize results, 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, disasters 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 and other impacts that could have a material adverse effect on our business.

Adverse changes in third party licensing arrangements and licensed brands

As a result of the acquisition of Gold Toe Moretz, a number of products are designed, manufactured, sourced and sold under trademarks that we license from third parties, under contractual licensing relationships that are subject to periodic renewal, such as Under Armour® and New Balance® branded socks. Because we do not control the brands licensed to us, our licensors could make changes to their brands or business models that could result in a significant downturn in a brand's business, adversely affecting our sales and results of operations. If any licensor fails to adequately maintain or protect their trademarks, engages in behaviour with respect to the licensed marks that would cause us reputational harm, or if any of the brands licensed to us violates the trademark rights of a third party or are deemed to be invalid or unenforceable, we could experience a significant downturn in that brand's business, adversely affecting our sales and results of operations, and we may be required to expend significant amounts on public relations, advertising and, possibly, legal fees. In addition, if any of these licensors chooses to cease licensing these brands to us in the future, our sales and results of operations would be adversely affected.

Our ability to protect our intellectual property rights

Our trademarks are important to our marketing efforts and have substantial value. We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings; however, the actions we have taken to establish and protect our trademarks and other intellectual property may not be adequate. We cannot be certain that others will not imitate our products or infringe our intellectual property rights. Infringement or counterfeiting of our products could diminish the value of our brands or otherwise adversely affect our business. In addition, unilateral actions in the United States or other countries, such as changes to or the repeal of laws recognizing trademark or other intellectual property rights, could have an impact on our ability to enforce those rights.

From time to time we are involved in opposition and cancellation proceedings with respect to our intellectual property, which could affect its validity, enforceability and use. The value of our intellectual property could diminish if others assert rights in, or ownership of, or oppose our applications to register, our trademarks and other intellectual property rights. In some cases, there may be trademark owners who have prior rights to our trademarks or to similar trademarks, which could harm our ability to sell products under or register such trademarks. In addition, we have registered trademarks in certain foreign jurisdictions and the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. We do not own trademark rights to all of our brands in all jurisdictions, which may limit the future sales growth of certain branded products in such jurisdictions. Furthermore, actions we have taken to protect our intellectual property rights may not be adequate to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others.

In some cases, litigation may be necessary to protect our trademarks and other intellectual property rights, to enforce our rights or defend against claims by third parties alleging that we infringe, dilute, misappropriate or otherwise violate third party trademark or other intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, and whether successful or not, could result in substantial costs and diversion of our resources, which could adversely affect our business, financial condition, results of operation and cash flows. Any intellectual property litigation claims against us could result in the loss or compromise of our intellectual property rights, could subject us to significant liabilities, require us to seek licenses on unfavorable terms, if available at all, and/or require us to rebrand our products and services, any of which could adversely affect our business, financial condition, results of operations and cash flows.

Changes in our relationship with our employees or changes to domestic and foreign employment regulations

We employ approximately 29,500 employees worldwide. As a result, changes in domestic and foreign laws governing our relationships with our employees, including wage and human resources 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 vast 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.

Our employees are currently not party to any collective bargaining agreement. In connection with its textile operations in the Dominican Republic, the Company was previously a party to a collective bargaining agreement with a union registered with the Dominican Ministry of Labor, covering approximately 900 employees. The collective bargaining agreement was terminated in February 2011 upon the mutual consent of the Company and the union, although it is still claiming to represent a majority of the factory workers. Notwithstanding the termination of the agreement, the Company is continuing to provide all of the benefits to the employees covered by the original agreement. A second union is also claiming that it represents the majority of the workers at the plant and has filed a third-party complaint alleging violation of freedom of association with the Fair Labor Association (FLA), an international labour standards monitor of which Gildan is a participating company. The Company collaborated with the FLA in a verification of the majority representation claim of the second union and has now agreed to enter into negotiations with this union for the purposes of completing a collective bargaining agreement.

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

Negative publicity as a result of violation in local labour laws or international labour standards, unethical labour and other business practices

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 and principles to which we subscribe, including those of Worldwide Responsible Accredited 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, which we do not control, to complement our vertically-integrated production. 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 harm our reputation and result in a loss of sales.

In September 2011, a new industry-wide union was formed in Haiti to represent workers in the apparel and textile sector. Since the formation of the union, various non-governmental organizations have alleged that six members of the executive committee representing the union have been fired from their employment due to their union activity. Four of the six individuals in question work for one of the dedicated third party contractor facilities, which supply the Company with sewing production. An investigation recently completed by the Better Work program in Haiti concluded that the workers rights to freedom of association have been violated. Better Work is a program sponsored by the International Labor Organization (ILO) and the International Finance Corporation (IFC) with the goal of improving compliance with labour standards. On November 28, 2011, the Company requested that the third party contractor in question reinstate the four employees who were fired for expressing their rights to freedom of association with full back-pay to the date of dismissal and no loss of seniority.

Our dependence on key management and our ability to attract and/or retain key personnel

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 in short order. 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 to restructure the organization or 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.

Changes to and failure to comply with consumer product safety laws

We are subject to consumer product safety laws and regulations that could affect our business. In the United States, we are subject to the Consumer Product Safety Act, as amended by the Consumer Product Safety Improvement Act of 2008, to the Federal Hazardous Substances Act, to the Flammable Fabrics Act, and to the rules and regulations promulgated pursuant to such statutes. Such laws provide for substantial penalties for non-compliance. These statutes and regulations include requirements for testing and certification for flammability of wearing apparel, for lead content and lead in surface coatings in children's products, and for phthalate content in child care articles, including plasticized components of children's sleepwear. As of December 31, 2011, when the Consumer Product Safety Commission (the "CPSC") lifts its stay of enforcement with respect to phthalate testing and certification, the CPSC should be actively enforcing all of the requirements listed above. In addition, we are also subject to similar laws and regulations in the various individual states in which our products are sold.

In Canada, we are subject to similar laws and regulations, the most significant of which are the Hazardous Products Act (the "HPA") and the Canada Consumer Product Safety Act (the "CCPSA"). The CCPSA came into force on June 20, 2011. It is aimed at emphasizing industry's responsibility to provide safe products, strengthening enforcement authorities, providing more and better information for the public, improving the safety of imported products, ensuring better record keeping, and instituting mandatory reporting. Regulations currently in place under the HPA will be incorporated into the CCPSA or, where necessary because of structural differences between the two statutes, replaced by new CCPSA regulations. For example, the CCPSA's Children's Sleepwear Regulations replaced the HPA's Hazardous Products (Children's Sleepwear) Regulations. The CCPSA also provides for new regulations, such as the textile flammability regulations. As under U.S. laws, surface coatings and phthalates are also regulated under the CCPSA.

In the European Union, we are also subject to product safety regulations, the most significant of which are imposed pursuant to the General Product Safety Directive. We are also subject to similar laws and regulations in the other jurisdictions in which our products are sold.

Compliance with existing and future product safety laws and regulations and enforcement policies may require that we incur capital and other costs, which may be significant. Non-compliance with applicable product safety laws and regulations may result in substantial fines and penalties, costs related to the recall, replacement and disposal of non-compliant products, as well as negative publicity which could harm our reputation and result in a loss of sales. Our customers may also require us to meet existing and additional consumer safety requirements, which may result in our inability to provide the products in the manner required. Although we believe that we are in compliance in all material respects with applicable product safety laws and regulations in the jurisdictions in which we operate, the extent of our liability, if any, for past failure to comply with the requirements set forth in any consumer product safety laws applicable to our operations, which are not known at this time, cannot be reasonably determined.

DEFINITION AND RECONCILIATION 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 annual 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 acquisition-related costs, net of related income tax recoveries, management uses adjusted net earnings and adjusted diluted earnings per share, which are calculated as net earnings and diluted 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)	2011	2010	2009
Net sales	1,726.0	1,311.5	1,038.3
Cost of sales	1,288.3	947.2	808.0
Gross profit	437.7	364.3	230.3
Selling, general and administrative expenses	199.1	154.7	134.8
Restructuring and acquisition-related costs	8.5	8.7	6.2
Operating income	230.1	200.9	89.3
Financial expense (income), net	5.4	0.8	(0.3)
Non-controlling interest in consolidated joint venture	0.5	3.8	0.1
Earnings before income taxes	224.2	196.3	89.5
Income taxes	(15.7)	(1.9)	(5.8)
Net earnings	239.9	198.2	95.3
Adjustments for:			
Restructuring and acquisition-related costs	8.5	8.7	6.2
Income tax recovery on restructuring and acquisition-related costs	(2.9)	(3.3)	(1.8)
Adjusted net earnings	245.5	203.6	99.7
Basic EPS	1.97	1.64	0.79
Diluted EPS	1.96	1.63	0.79
Adjusted diluted EPS	2.01	1.67	0.82

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

EBITDA

EBITDA is calculated as earnings before interest, taxes and depreciation and amortization and excludes the impact of restructuring and acquisition-related costs as well as the non-controlling interest in the consolidated joint venture. 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)	2011	2010	2009
Net earnings	239.9	198.2	95.3
Restructuring and acquisition-related costs	8.5	8.7	6.2
Depreciation and amortization	79.8	66.5	65.4
Variation of depreciation included in inventories	(3.4)	2.7	(2.4)
Interest expense, net	2.9	0.4	1.8
Income taxes	(15.7)	(1.9)	(5.8)
Non-controlling interest of consolidated joint venture	0.5	3.8	0.1
EBITDA	312.5	278.4	160.6

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, and/or to redistribute to our shareholders. We believe this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

(in $ millions)	2011	2010	2009
Cash flows from operating activities	181.6	301.6	169.2
Cash flows used in investing activities	(523.9)	(141.2)	(34.2)
Adjustments for:			
Business acquisitions	349.6	15.8	1.2
Restricted cash reimbursed related to a business acquisition	-	(0.3)	(4.0)
Free cash flow	7.3	175.9	132.2

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

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

We consider total indebtedness and net indebtedness (cash in excess of total indebtedness) to be important indicators of the financial leverage of the Company.

(in $ millions)	2011	2010	2009
Current portion of long-term debt	-	-	2.8
Long-term debt	209.0	-	1.6
Total indebtedness	209.0	-	4.4
Cash and cash equivalents	(88.8)	(258.4)	(99.7)
Net indebtedness (Cash in excess of total indebtedness)	120.2	(258.4)	(95.3)

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

FORWARD-LOOKING STATEMENTS

Certain statements included in this MD&A 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", "project", "assume", "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 and the risks described under the "Critical Accounting Estimates" and "Financial Risk Management" sections of this MD&A 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.

Forward-looking information is inherently uncertain and 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:

- our ability to implement our growth strategies and plans, including achieving market share gains, implementing cost reduction initiatives and completing and successfully integrating acquisitions;
- the intensity of competitive activity and our ability to compete effectively;
- adverse changes in general economic and financial conditions globally or in one or more of the markets we serve;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit contractually to minimum quantity purchases;
- our ability to anticipate changes in consumer preferences and trends;
- our ability to manage production and inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton and polyester fibres;
- our dependence on key suppliers and our ability to maintain an uninterrupted supply of raw materials and finished goods;
- the impact of climate, political, social and economic risks in the countries in which we operate or from which we source production;
- disruption to manufacturing and distribution activities due to labour disruptions, political instability, bad weather, natural disasters, pandemics and other unforeseen adverse events;
- changes to international trade legislation that the Company is currently relying on in conducting its manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- compliance with applicable environmental, tax, trade, employment, health and safety, and other laws and regulations in the jurisdictions in which we operate;
- our significant reliance on computerized information systems for our business operations;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;
- negative publicity as a result of violation of local labour laws or international labour standards, or unethical labour or other business practices by the Company or one of its third-party contractors;
- our dependence on key management and our ability to attract and/or retain key personnel;
- changes to and failure to comply with consumer product safety laws and regulations;
- adverse changes in third party licensing arrangements and licensed brands;
- our ability to protect our intellectual property rights;
- changes in accounting policies and estimates; and
- exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices.

These factors 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, may have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset write-downs, asset impairment losses 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.

There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's fiscal 2012 financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report 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 report are expressly qualified by this cautionary statement.

December 9, 2011

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 Canadian generally accepted accounting principles 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 maintaining a system of internal controls over financial reporting as described in "Management's Annual Report on Internal Control Over Financial Reporting" on page 37 of the 2011 Annual Management's Discussion and Analysis. Management is also responsible for the preparation and presentation of other financial information included in the 2011 Annual Report and its consistency with the Consolidated Financial Statements.

The Audit and Finance Committee, which is appointed annually by the Board of Directors and comprised exclusively of independent directors, 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.

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 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 the Company's internal controls over financial reporting as at October 2, 2011. KPMG LLP has direct access to the Audit and Finance Committee of the Board of Directors.

(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 9, 2011

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 at October 2, 2011 and October 3, 2010 and the related consolidated statements of earnings and comprehensive income, shareholders' equity and cash flows for the years ended October 2, 2011, October 3, 2010 and October 4, 2009. 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 and 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 at October 2, 2011 and October 3, 2010, and the results of their operations and their cash flows for the years ended October 2, 2011, October 3, 2010 and October 4, 2009, 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 at October 2, 2011, 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 November 30, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP*

Chartered Accountants
Montréal, Canada
November 30, 2011

*CA Auditor permit no 20408

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KPMG Canada provides services to KPMG LLP.

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 internal control over financial reporting as at October 2, 2011, based on the criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).* Gildan Activewear Inc.'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. 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, Gildan Activewear Inc. maintained, in all material respects, effective internal control over financial reporting as at October 2, 2011, based on criteria established in *Internal Control - Integrated* Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management has excluded from its assessment of the effectiveness of internal control over financial reporting as of October 2, 2011 the internal control over financial reporting of Gold Toe Moretz Holdings Corp. ("Gold Toe Moretz") which Gildan Activewear Inc. acquired on April 15, 2011. The total assets and total net sales of Gold Toe Moretz represent approximately 24% of the consolidated total assets and approximately 7% of the consolidated net sales included in the consolidated financial statements of Gildan Activewear Inc. as of and for the year ended October 2, 2011. Our audit of internal control over financial reporting of Gildan Activewear Inc. also excluded an evaluation of the internal control over financial reporting of Gold Toe Moretz.

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Our report dated November 30, 2011 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP*

Chartered Accountants
Montréal, Canada
November 30, 2011

*CA Auditor permit no 20408

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KPMG Canada provides services to KPMG LLP.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED BALANCE SHEETS
As at October 2, 2011 and October 3, 2010
(in thousands of U.S. dollars)

	2011	2010
Current assets:		
Cash and cash equivalents	$ 88,802	$ 258,442
Trade accounts receivable	191,594	145,684
Income taxes receivable	515	-
Inventories (note 3)	575,594	332,542
Prepaid expenses and deposits	10,966	9,584
Future income taxes (note 15)	11,666	6,340
Other current assets	9,307	9,079
	888,444	761,671
Property, plant and equipment (note 4)	565,398	479,292
Assets held for sale (note 16)	13,142	3,246
Intangible assets (note 5(b))	256,467	61,321
Goodwill (note 5(a))	153,219	10,197
Other assets (note 6)	13,051	11,805
Total assets	$ 1,889,721	$ 1,327,532
Current liabilities:		
Accounts payable and accrued liabilities	$ 315,269	$ 186,205
Income taxes payable	-	5,024
	315,269	191,229
Long-term debt (note 8)	209,000	-
Future income taxes (note 15)	26,575	10,816
Non-controlling interest in consolidated joint venture	11,562	11,058
Commitments and contingencies (note 13)		
Shareholders' equity (note 10):		
Share capital	100,436	97,036
Contributed surplus	16,526	10,091
Retained earnings	1,184,781	982,764
Accumulated other comprehensive income	25,572	24,538
	1,210,353	1,007,302
	1,327,315	1,114,429
Total liabilities and shareholders' equity	$ 1,889,721	$ 1,327,532

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

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

(Signed: William D. Anderson)
Director
William D. Anderson

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
Years ended October 2, 2011, October 3, 2010 and October 4, 2009
(in thousands of U.S. dollars, except per share data)

	2011	2010	2009
Net sales	$ 1,726,041	$ 1,311,463	$ 1,038,319
Cost of sales (note 20(c))	1,288,293	947,206	807,986
Gross profit	437,748	364,257	230,333
Selling, general and administrative expenses	199,132	154,674	134,785
Restructuring and acquisition-related costs (note 16)	8,465	8,705	6,199
Operating income	230,151	200,878	89,349
Financial expense (income), net (note 22(b))	5,485	751	(304)
Non-controlling interest in consolidated joint venture	504	3,786	110
Earnings before income taxes	224,162	196,341	89,543
Income taxes (note 15)	(15,742)	(1,904)	(5,786)
Net earnings	239,904	198,245	95,329
Other comprehensive income (loss), net of related income taxes (note 17)	1,034	(1,710)	-
Comprehensive income	$ 240,938	$ 196,535	$ 95,329
Earnings per share:			
Basic EPS (note 18)	$ 1.97	$ 1.64	$ 0.79
Diluted EPS (note 18)	$ 1.96	$ 1.63	$ 0.79

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended October 2, 2011, October 3, 2010 and October 4, 2009
(in thousands or thousands of U.S. dollars)

	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
	Number	Amount				
Balance, October 5, 2008	120,536	$ 89,377	$ 6,728	$ 26,248	$ 689,190	$ 811,543
Stock-based compensation related to stock options and Treasury restricted share units	-	-	3,007	-	-	3,007
Shares issued under employee share purchase plan	58	781	-	-	-	781
Shares issued pursuant to exercise of stock options	54	125	-	-	-	125
Shares issued pursuant to vesting of Treasury restricted share units	315	2,759	(2,759)	-	-	-
Net earnings	-	-	-	-	95,329	95,329
Balance, October 4, 2009	120,963	$ 93,042	$ 6,976	$ 26,248	$ 784,519	$ 910,785
Stock-based compensation related to stock options and Treasury restricted share units	-	-	4,081	-	-	4,081
Recovery related to repricing of stock options previously exercised (note 11(b))	-	-	1,159	-	-	1,159
Shares issued under employee share purchase plan	24	628	-	-	-	628
Shares issued pursuant to exercise of stock options	183	1,251	(10)	-	-	1,241
Shares issued pursuant to vesting of Treasury restricted share units	182	2,115	(2,115)	-	-	-
Other comprehensive loss (note 17)	-	-	-	(1,710)	-	(1,710)
Net earnings	-	-	-	-	198,245	198,245
Balance, October 3, 2010	121,352	$ 97,036	$ 10,091	$ 24,538	$ 982,764	$ 1,114,429
Stock-based compensation related to stock options and Treasury restricted share units	-	-	4,899	-	-	4,899
Shares issued under employee share purchase plan	23	642	-	-	-	642
Shares issued pursuant to exercise of stock options	379	3,594	(219)	-	-	3,375
Shares issued pursuant to vesting of Treasury restricted share units	26	588	(588)	-	-	-
Shares issued as consideration for costs incurred in a business acquisition (note 19(c))	30	1,065	-	-	-	1,065
Shares repurchased and cancelled (note 10(d))	(400)	(337)	-	-	(10,200)	(10,537)
Share repurchases (note 10(e))	(79)	(2,152)	2,152	-	-	-
Other comprehensive income (note 17)	-	-	-	1,034	-	1,034
Dividends declared	-	-	191	-	(27,687)	(27,496)
Net earnings	-	-	-	-	239,904	239,904
Balance, October 2, 2011	121,331	$ 100,436	$ 16,526	$ 25,572	$ 1,184,781	$ 1,327,315

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended October 2, 2011, October 3, 2010 and October 4, 2009
(in thousands of U.S. dollars)

	2011	2010	2009
Cash flows from (used in) operating activities:			
Net earnings	$ 239,904	$ 198,245	$ 95,329
Adjustments for non-cash items (note 19(a))	70,851	72,360	64,178
	310,755	270,605	159,507
Changes in non-cash working capital balances:			
Trade accounts receivable	(18,861)	16,018	45,608
Inventories	(182,080)	(32,280)	16,742
Prepaid expenses and deposits	698	2,020	(1,191)
Other current assets	1,883	(168)	2,743
Accounts payable and accrued liabilities	74,496	52,127	(22,731)
Income taxes payable	(5,341)	(6,771)	(31,499)
	181,550	301,551	169,179
Cash flows from (used in) financing activities:			
Increase (decrease) in amounts drawn under revolving long-term credit facility	209,000	-	(45,000)
Dividends paid	(27,496)	-	-
Increase in other long-term debt	-	43	44
Repayment of other long-term debt	-	(4,430)	(3,661)
Proceeds from the issuance of shares	4,017	1,869	906
Repurchase and cancellation of shares (note 10(d))	(10,537)	-	-
Repurchase of shares (note 10(e))	(2,152)	-	-
Recovery related to repricing of stock options previously exercised	-	1,159	-
	172,832	(1,359)	(47,711)
Cash flows from (used in) investing activities:			
Purchase of property, plant and equipment	(159,946)	(126,855)	(43,877)
Purchase of intangible assets	(4,776)	(1,026)	(1,061)
Business acquisitions (note 2)	(349,639)	(15,850)	(1,196)
Payment of contingent consideration (note 19(d))	(5,815)	-	-
Restricted cash related to a business acquisition	-	254	3,958
Purchase of corporate asset, net of proceeds (note 19(a))	(3,693)	-	-
Proceeds on disposal of assets held for sale	1,125	4,708	6,349
Net (increase) decrease in other assets	(1,193)	(2,477)	1,629
	(523,937)	(141,246)	(34,198)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(85)	(236)	105
Net (decrease) increase in cash and cash equivalents during the year	(169,640)	158,710	87,375
Cash and cash equivalents, beginning of year	258,442	99,732	12,357
Cash and cash equivalents, end of year	$ 88,802	$ 258,442	$ 99,732

Supplemental disclosure of cash flow information (note 19)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 2011, October 3, 2010 and October 4, 2009
(Tabular amounts in thousands or thousands of U.S. dollars except per share data, unless otherwise indicated)

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 2011, 2010 and 2009 represent the fiscal years ended October 2, 2011, October 3, 2010 and October 4, 2009, respectively.

1. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with Canadian generally accepted accounting principles. The Company's functional currency is the U.S. dollar. 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. The consolidated financial statements also include the accounts of a yarn spinning joint venture with Frontier Spinning Mills, Inc., CanAm Yarns LLC ("CanAm"), as the Company is considered the primary beneficiary of this entity. All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Future accounting standards:

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), will replace Canadian generally accepted accounting principles for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. As a result, the Company will be required to change over to IFRS for its fiscal 2012 interim and annual consolidated financial statements beginning October 3, 2011 with comparative information for fiscal 2011.

(c) Cash and cash equivalents:

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

(d) Trade accounts receivable:

Trade accounts receivable consist of amounts due from our normal business activities. We maintain an allowance for doubtful accounts to reflect expected credit losses. We provide for bad debts based on collection history and specific risks identified on a customer-by-customer basis. Uncollected accounts are written off through the allowance for doubtful accounts.

(e) Inventories:

Inventories are stated at the lower of First-In First-Out cost and net realizable value. Inventory costs include the purchase price and other costs directly related to the acquisition of raw materials used in the manufacturing process, and the cost of purchased finished goods. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labour, and a systematic allocation of fixed and variable production overhead, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on the normal capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances.

(f) Property, plant and equipment:

Property, plant and equipment are initially recorded at cost. Depreciation and amortization are recorded on a straight-line basis over the following estimated useful lives:

Asset	Useful life
Buildings and improvements	5 to 40 years
Manufacturing equipment	3 to 10 years
Other equipment	2 to 10 years

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(f) Property, plant and equipment (continued):

Assets not yet utilized in operations include expenditures incurred to date for plant expansions which are still in process and equipment not yet placed into service as at the balance sheet date. Depreciation on these assets commences when the assets are put into service.

(g) Assets held for sale:

Long-lived assets are classified as held for sale when certain criteria are met, which include: the Company's commitment to a plan to sell the assets; the assets are available for immediate sale in their present condition; an active program to locate buyers and other actions to sell the assets have been initiated; the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year; the assets are being actively marketed at reasonable prices in relation to their fair value; and it is unlikely that significant changes will be made to the plan to sell the assets or that the plan will be withdrawn.

The Company measures assets held for sale at the lower of carrying amount or fair value less cost to sell. These assets are not depreciated.

(h) Intangible assets:

Intangible assets include identifiable intangible assets acquired in a business combination, which are initially recorded at fair value at the date of acquisition, and include trademarks, license agreements, customer contracts and customer relationships, and non-compete agreements. Intangible assets also include the cost of computer software that is not an integral part of the related hardware. Intangible assets with finite lives are depreciated on a straight-line basis over the following estimated useful lives:

Asset	Useful life
Customer contracts and customer relationships	20 years
License agreements	7 years
Computer software	4 years
Non-compete agreements	2 years

Trademarks are not amortized as they are considered to be indefinite life intangible assets, and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The costs of information technology projects including internally developed computer software are capitalized and included in intangible assets commencing at the point at which the following criteria are met: the technical feasibility of completing the projects have been achieved; the Company intends to complete the information technology projects and is capable of using the software internally; the software will generate probable future economic benefits; the Company has adequate technical, financial and other resources to complete development of the projects; and the Company has the ability to reliably measure the expenditures attributable to the information technology projects during development. The Company does not capitalize pilot projects where it believes that future economic benefits are less than probable or projects that do not meet the above criteria. The costs of information technology projects that are capitalized include the cost of software tools and licenses used in the development of the projects as well as direct payroll and consulting costs. The capitalization of costs ceases and depreciation commences when the assets are put into service.

(i) Impairment of long-lived assets:

Property, plant and equipment and intangible assets with finite lives are reviewed for potential impairment if events or 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 (or asset group for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities) 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 or asset group, with fair value being determined based on the present value of expected future cash flows or appraised values, depending on the nature of the asset or asset group. The annual impairment test for trademarks, which are considered to be intangible assets with indefinite lives, consists of a comparison of the fair value of the trademarks, using the present value of expected future cash flows, with the carrying amount of the trademarks. If the carrying amount of the trademarks exceeds their fair value, an impairment loss is recognized in an amount equal to the excess.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(i) Impairment of long-lived assets (continued):

Assessing the impairment of long-lived assets requires the Company to make significant estimates and assumptions, including, but not limited to, the expected future cash flows that the asset or asset group will generate based on internal plans, which incorporate management's judgments as to the remaining service potential of the long-lived assets, and their fair value on an open market. Changes in circumstances, such as technological advances, adverse changes in third party licensing arrangements, changes to the Company's business strategy, and changes in economic conditions can result in actual useful lives and future cash flows differing significantly from estimates and could result in increased charges for amortization or impairment.

(j) Goodwill:

Goodwill recorded in connection with business combinations represents the excess of the purchase price over the fair value of net assets acquired, and is assigned to a reporting unit at the time of acquisition. Goodwill is not amortized and is tested for impairment on an annual basis, or more frequently if an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. The annual goodwill impairment test involves a two-step process. First, the fair value of a reporting unit is compared with its carrying amount, including goodwill, in order to identify a potential impairment. The fair value of the reporting unit under the first step is determined based on the present value of expected future cash flows. The second step is required if the carrying amount of a reporting unit exceeds its fair value as determined in the first step, in which case the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit, including the implied fair value of any intangible assets that would be recorded had the reporting unit been acquired in a business acquisition. Any fair value in excess of amounts allocated to the reporting unit's net assets represents the implied fair value of goodwill for that reporting unit. If the carrying value of the goodwill exceeds the implied fair value, the carrying value is written down by an amount equal to such excess.

The goodwill impairment testing process involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including expected sales, gross margins, selling, general and administrative expenses, capital expenditures, cash flows and the selection of an appropriate discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results as well as discount rates which are used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. If the future was to adversely differ from management's best estimate of key economic assumptions, and if associated cash flows were to materially decrease, the Company may be required to record impairment charges related to its goodwill.

(k) 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 net earnings.

The Company's 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 net earnings. The Company does not currently have any self-sustaining foreign subsidiaries.

(l) Revenue recognition:

Revenue is recognized upon shipment of products to customers, since title passes upon shipment, and to the extent that the selling price is fixed or determinable. At the time of sale, estimates are made for customer price discounts and volume rebates based on the terms of 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, current trends and other known factors, and exclude sales taxes.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(m) Cost of sales and gross profit:

Cost of sales includes all raw material costs, manufacturing conversion costs, including manufacturing depreciation expense, sourcing costs, inbound freight and inter-facility transportation costs, and outbound freight to customers. Cost of sales also includes the cost of purchased finished goods, costs relating to purchasing, receiving and inspection activities, manufacturing administration, third-party manufacturing services, sales-based royalty costs, insurance, inventory write-downs, and customs and duties.

Gross profit is the result of sales less cost of sales. The Company's gross profit may not be comparable to this metric as reported by other companies, since some entities exclude depreciation expense, outbound freight to customers and royalty costs from cost of sales.

(n) Selling, general and administrative expenses:

Selling, general and administrative (SG&A) expenses include warehousing and handling costs, selling and administrative personnel costs, advertising and marketing expenses, costs of leased facilities and equipment, professional fees, non-manufacturing depreciation and amortization expense, and other general and administrative expenses. SG&A expenses also include bad debt expense, and amortization of customer-related intangible assets, license agreements and non-compete agreements.

(o) Advertising and product introduction expenditures:

Advertising and co-op advertising expenses are expensed as incurred in selling, general and administrative expenses. 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 identifiable contractual rights which are enforceable and recoverable. 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.

(p) 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 and are not considered to be financial instruments. The Company commits to fixed prices on a percentage of its cotton and yarn requirements up to eighteen months in the future. If the cost of committed prices for cotton and yarn plus estimated costs to complete production exceed current selling prices, a loss is recognized for the excess as a charge to cost of sales.

(q) Financial instruments and hedging relationships:

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 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 or is determined to be impaired. Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value. Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(q) Financial instruments and hedging relationships (continued):

Derivative instruments are 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 net 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 effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a cash flow hedge, when hedging instruments become ineffective before their maturity or the hedging relationship is terminated, any gains, losses, revenues or expenses associated with the hedging item that had previously been recognized in other comprehensive income as a result of applying hedge accounting are carried forward to be recognized in net earnings in the same period as the hedged item affects net earnings, to the extent that it is probable that the forecasted cash flows will occur. 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 net earnings. Any derivative instrument that does not qualify for hedge accounting is recorded at fair value at each reporting date with the change in fair value for the period being included in net earnings.

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.

(r) Comprehensive income:

Comprehensive income, which consists of net earnings and other comprehensive income, is defined as the change in shareholders' 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 and includes unrealized gains and losses on financial assets classified as available for sale, unrealized foreign currency translation gains and losses arising from self-sustaining foreign subsidiaries and changes in the fair value of the effective portion of qualifying cash flow hedging instruments.

(s) 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. The Company recognizes 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, based on estimates of future taxable income in applicable jurisdictions and other assumptions. A valuation allowance is provided to the extent that it is determined that it is no longer more likely than not that the asset will be realized. Future income tax assets and future income tax liabilities are offset if they relate to the same taxable entity and the same taxation authority.

The Company's income tax provision is based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. The Company recognizes the benefits of uncertain tax filing positions in its financial statements when it is considered likely that the tax position will be sustained upon examination by tax authorities, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized from such positions are measured at the best estimate of the amounts expected to be realized upon ultimate resolution. The Company periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant, such as changes to tax laws, administrative guidance, change in management's assessment of the technical merits of its positions due to new information, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within relevant statutes. Previously recognized tax benefits relating to uncertain tax filing positions are derecognized if it becomes likely that the Company's tax position will no longer be upheld.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(t) Stock-based compensation and other stock-based payments:

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, net of estimated forfeitures, and is expensed over the award's vesting period. The fair value of stock options granted is estimated on the date of grant using the Black-Scholes pricing model, and the fair value of Treasury restricted share units granted is equal to the market price of the common shares of the Company on the date of grant. 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, net of estimated forfeitures, and is expensed over the award's vesting period. The offsetting liability is marked to the underlying market price 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 until vested, which is recorded in the periods in which these changes occur. The measurement of the compensation cost for certain Treasury and non-Treasury restricted share units, for which the vesting is partially contingent on the achievement of performance conditions, includes the probability of achieving the performance conditions, net of estimated forfeitures.

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.

(u) 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.

In connection with the acquisition of Gold Toe Moretz in April 2011 as described in note 2, the Company acquired a funded qualified defined benefit plan ("Retirement Plan") covering certain employees of Gold Toe Moretz. The Retirement Plan has been frozen since January 1, 2007, and as such no additional employees became participants in the Retirement Plan and existing participants in the Retirement Plan ceased accruing any additional benefits after that date. The pension obligation is actuarially determined using the projected benefit method to determine plan obligations and related periodic costs. Assets of the Retirement Plan are invested in high quality money market funds and are recorded at fair value. Plan valuations require economic assumptions, including expected rates of return on plan assets, discount rates to value plan obligations, and participant demographic assumptions including mortality rates. Because the Retirement Plan is frozen, salary escalation is not considered in the actuarial valuation, and there are no current service costs incurred. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions. Actual results that differ from the actuarial assumptions are reflected as unrecognized gains and losses. Unrecognized gains and losses that exceed 10% of the greater of the plan's projected benefit obligations or market value of assets at the beginning of the period are amortized to earnings over the estimated service life of the remaining plan participants.

The Company also maintains a liability for statutory severance and pre-notice benefit obligations for active employees located in the Caribbean Basin and Central America which is payable to the employees in a lump sum payment upon termination of employment. The liability is based on management's best estimates of the ultimate costs to be incurred to settle the liability and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions.

(v) 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 using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the period is increased to include additional shares from the assumed exercise of options and the issuance of Treasury restricted share units, if dilutive. The number of additional shares is calculated by assuming that all outstanding options are exercised and all outstanding Treasury restricted share units have vested, and that the proceeds from such exercises, as well as the amount of unrecognized stock-based compensation which is considered to be assumed proceeds under the treasury stock method, are used to repurchase common shares at the average share price for the period. For Treasury restricted share units, only the unrecognized stock-based compensation is considered assumed proceeds since there is no exercise price paid by the holder.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

(w) Environmental expenditures:

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized in property, plant and equipment and are generally amortized over the remaining useful life of the underlying asset. 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.

The Company may be obliged to incur certain future removal and site restoration costs should it decide to discontinue some of its activities. Where there is a legal obligation associated with the retirement of property, plant and equipment, and the fair value of the obligation can be reasonably estimated, a liability is initially recognized at its estimated fair value and a corresponding asset retirement cost is added to the carrying value of the related asset and amortized over the remaining life of the underlying asset. The Company had no recognized asset retirement obligations as at October 2, 2011 and October 3, 2010, as the Company plans to continue its activities for an indeterminate period and the range of possible methods of restoration are not conclusive at this time. As such, the information available to the Company is insufficient to reasonably estimate the fair value of a conditional asset retirement obligation.

(x) Business acquisitions:

The Company accounts for business acquisitions using the purchase method. Accordingly, the purchase price of a business acquisition, including direct and incremental costs incurred to effect the business combination, is allocated to its identifiable net assets, including certain restructuring and integration costs of the acquired business, 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.

(y) 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 liabilities and fair values of financial instruments at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates involve varying degrees of judgment and uncertainty, and are based on a number of factors, including historical experience, current events and industry trends, information available from outside sources, management's business plans, and other assumptions that management believes are reasonable based on information available at the time they are made. Given the inherent uncertainty involved in making estimates, actual results reported in future periods could differ materially from these estimates.

Significant areas requiring the use of management estimates and assumptions include: the allowance for doubtful accounts and accruals for sales promotional programs; the valuation of inventory at the lower of cost and net realizable value; the useful life and valuation of property, plant and equipment and intangible assets with finite lives; actuarial and economic assumptions used in determining pension costs and accrued pension liabilities; the composition and valuation of future income tax assets and liabilities; and the assumptions used in impairment tests on long-lived assets and indefinite life intangible assets and goodwill.

2. BUSINESS ACQUISITIONS:

Gold Toe Moretz Holdings Corp.

On April 15, 2011, the Company acquired 100% of the capital stock of Gold Toe Moretz Holdings Corp. ("Gold Toe Moretz"), a leading supplier of high-quality branded athletic, casual and dress socks for national chains, mass-market retailers, price clubs, department stores and specialty sporting goods stores in the United States.

2. BUSINESS ACQUISITIONS (continued):

Gold Toe Moretz Holdings Corp. (continued)

The aggregate purchase price of $349.6 million, net of cash acquired, included direct acquisition related costs of $7.3 million. The purchase agreement provides for an additional purchase price consideration of up to 150,000 common shares which have been issued in the form of treasury restricted share units ("Treasury RSUs") at closing, with a fair value of approximately $4 million as at October 2, 2011. The vesting of the Treasury RSUs is contingent on specified future events. This contingent consideration has not been reflected in the purchase price of the acquisition on the basis that the outcome of the contingency cannot be determined beyond a reasonable doubt at this time. Any additional purchase price consideration paid by the Company will be accounted for as an increase to goodwill. The Company financed the acquisition by using approximately $100 million of cash on hand and approximately $250 million drawn on the Company's revolving long-term credit facility.

The Company accounted for this acquisition using the purchase method and the results of Gold Toe Moretz have been consolidated with those of the Company from the date of acquisition. The Company has allocated the purchase price to the assets acquired and liabilities assumed based on management's best estimate of their fair values and taking into account all relevant information available at that time.

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

Assets acquired:		
Trade accounts receivable	$	28,150
Income taxes receivable		208
Inventories		57,549
Prepaid expenses and deposits		2,080
Future income taxes, current		10,810
Other current assets		122
Property, plant and equipment		3,523
Intangible assets (i)		204,700
Other assets		495
		307,637
Liabilities assumed:		
Accounts payable and accrued liabilities		(54,828)
Future income taxes, net, non-current		(40,377)
		(95,205)
Net identifiable assets acquired		212,432
Goodwill		137,207
Purchase price	$	349,639
Consideration:		
Cash paid at closing, net of cash acquired of $3,576	$	342,368
Direct acquisition costs		7,271
	$	349,639

Goodwill recorded in connection with this acquisition is not deductible for tax purposes.

2. BUSINESS ACQUISITIONS (continued):

Gold Toe Moretz Holdings Corp. (continued)

(i) The estimated fair value of intangible assets of $204.7 million included in the purchase price allocation above consists of the following:

Trademarks (not subject to amortization)	$	94,000
License agreements		51,000
Customer relationships		58,000
Non-compete agreements		1,700
	$	204,700

Shahriyar Fabric Industries Limited

Effective March 31, 2010, the Company acquired 100% of the common shares of Shahriyar Fabric Industries Limited ("Shahriyar"), a vertically-integrated knitting, dyeing, finishing, cutting and sewing facility for the manufacture of high-quality ring-spun T-shirts near Dhaka, Bangladesh, for a total consideration of $15.9 million.

The Company accounted for this acquisition using the purchase method and the results of Shahriyar have been consolidated with those of the Company from the date of acquisition. The Company has allocated the purchase price to the assets acquired based on their fair value and taking into account all relevant information available at that time.

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

Assets acquired:		
Trade accounts receivable	$	1,392
Inventories		1,120
Other current assets		1,383
Property, plant and equipment		12,181
		16,076
Liabilities assumed:		
Accounts payable and accrued liabilities		(3,714)
Net identifiable assets acquired		12,362
Goodwill		3,488
Purchase price	$	15,850
Consideration:		
Payment to shareholders	$	3,250
Repayment of debt on behalf of the selling shareholders at closing		12,000
Direct acquisition costs		600
	$	15,850

The Company's repayment of the debt on behalf of the selling shareholders at closing was funded through a short-term banking facility of $12 million. This facility bore interest at 9.5% per annum, and was secured by a restricted cash deposit. As at October 3, 2010 the amount drawn under the short-term banking facility amounted to $9.9 million with a corresponding restricted cash deposit of the same amount, and the Company offset these amounts owing under the short-term banking facility against the collateral deposit in the consolidated balance sheet since the Company had the legal right of offset and used the collateral deposit to repay the bank facility in fiscal 2011. As at October 2, 2011, there were no amounts drawn under the short-term banking facility.

Goodwill recorded in connection with this acquisition is not deductible for tax purposes.

3. INVENTORIES:

Inventories were comprised of the following:

	2011	2010
Finished goods	$ 469,600	$ 240,884
Raw materials and spare parts inventories	74,284	54,353
Work in process	31,710	37,305
	$ 575,594	$ 332,542

The amount of inventory recognized as an expense and included in cost of sales was $1,262.9 million (2010 - $928.9 million; 2009 - $795.0 million), which included an expense of $6.2 million (2010 - $7.1 million; 2009 - $8.1 million) related to the write-down of inventory to net realizable value.

4. PROPERTY, PLANT AND EQUIPMENT:

2011	Cost	Accumulated depreciation	Net book value
Land	$ 35,549	$ -	$ 35,549
Buildings and improvements	196,531	47,124	149,407
Manufacturing equipment	511,543	227,935	283,608
Other equipment	99,256	49,970	49,286
Assets not yet utilized in operations	47,548	-	47,548
	$ 890,427	$ 325,029	$ 565,398

2010	Cost	Accumulated depreciation	Net book value
Land	$ 34,923	$ -	$ 34,923
Buildings and improvements	169,865	42,010	127,855
Manufacturing equipment	413,287	176,686	236,601
Other equipment	73,599	38,005	35,594
Assets not yet utilized in operations	44,319	-	44,319
	$ 735,993	$ 256,701	$ 479,292

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

5. GOODWILL AND INTANGIBLE ASSETS:

(a) Goodwill:

The change in the carrying amount of goodwill is as follows:

	2011	2010
Balance, beginning of year	$ 10,197	$ 6,709
Goodwill acquired (note 2)	137,207	3,488
Payment of contingent consideration (note 19(d))	5,815	-
Balance, end of year	$ 153,219	$ 10,197

5. GOODWILL AND INTANGIBLE ASSETS (continued):

(b) Intangible assets:

2011	Cost	Accumulated amortization	Net book value
Customer contracts and customer relationships	$ 121,526	$ 14,446	$ 107,080
Trademarks (not subject to amortization)	94,000	-	94,000
License agreements	51,000	3,484	47,516
Computer software	26,038	19,477	6,561
Non-compete agreements	1,700	390	1,310
	$ 294,264	$ 37,797	$ 256,467

2010	Cost	Accumulated amortization	Net book value
Customer contracts and customer relationships	$ 63,526	$ 9,966	$ 53,560
Computer software	26,453	18,692	7,761
	$ 89,979	$ 28,658	$ 61,321

Computer software includes $3.9 million (2010 – nil) of expenditures incurred to date for information technology projects which are still in process and not yet placed into service as at the balance sheet date.

6. OTHER ASSETS:

	2011	2010
Prepaid lease deposit	$ 6,073	$ 1,500
Long-term prepaid expenses and other	3,069	3,564
Deferred financing charges	2,789	-
Long-term non-trade receivable	1,120	953
Restricted cash related to the acquisition of Prewett (note 19(d))	-	5,788
	$ 13,051	$ 11,805

7. REVOLVING LINE OF CREDIT:

The Company's joint venture, CanAm, has a revolving line of credit in the amount of $4.0 million. Borrowings are due on demand and bear interest at LIBOR plus 2.0%, with a minimum interest rate of 4.0%, resulting in an initial rate of 4.0% per annum. The line of credit is secured by a first ranking security interest on the assets of CanAm. There were no amounts drawn under the line of credit at October 2, 2011 and October 3, 2010.

8. LONG-TERM DEBT:

In June 2011, the Company increased its existing unsecured revolving long-term credit facility from $400 million to $800 million. The amended facility has a maturity date of June 2016. Amounts drawn under the revised facility bear interest at a variable banker's acceptance or U.S. LIBOR-based interest rate plus a spread ranging from 125 to 200 basis points. The Company incurred certain costs related to the revolving long-term credit facility. These charges are recorded at cost and are being amortized as a financial expense on a straight-line basis over the term of the related facility. The deferred financing charges are included in other assets on the consolidated balance sheet. At October 2, 2011, $209.0 million (October 3, 2010 - nil) was drawn under this facility bearing a combined effective interest rate for the period of 2.3%, including the impact of interest rate swaps. In addition, an amount of $5.8 million (October 3, 2010 -$12.7 million) has been committed against this facility to cover various letters of credit as described in note 14.

Under various financing arrangements with its bankers and other long-term lenders, including the revolving long-term credit facility, the Company is required to meet certain financial covenants. The revolving long-term credit facility requires the Company to maintain a net debt to trailing twelve months EBITDA ratio below 3.0:1, although the facility provides that this limit may be exceeded in the short term under certain circumstances, and to maintain an interest coverage ratio. The Company was in compliance with all financial covenants as at October 2, 2011 and October 3, 2010.

9. EMPLOYEE BENEFIT PLANS:

Defined Benefit Plan

The Company has a funded qualified defined benefit pension plan ("Retirement Plan") covering certain employees of Gold Toe Moretz. At the time of the acquisition of Gold Toe Moretz in April 2011, the Retirement Plan was in a net deficit position of $21.8 million, which was included in accounts payable and accrued liabilities. Management's intention is to fully fund the deficit, and subsequently liquidate and wind-up the Retirement Plan within the next twelve months. An actuarial valuation was performed at the date of acquisition and at October 2, 2011 with liabilities determined on a plan termination basis. The last valuation for funding purposes was performed on January 1, 2011, and the next valuation for funding purposes is expected to be performed on January 1, 2012. The Company has made funding contributions of $19 million, and has begun de-risking the Retirement Plan through settlement payments totaling $39 million for the period from April 15, 2011 to October 2, 2011. The Company expects to contribute approximately $5.5 million to the Retirement Plan in fiscal 2012 followed by the termination and wind-up of the Retirement Plan shortly thereafter.

At October 2, 2011, the funded status of the Company's Retirement Plan was as follows:

		October 2, 2011
Benefit obligation at April 15, 2011	$	55,975
Interest cost		900
Actuarial loss		1,574
Settlement charge		545
Benefits paid		(1,879)
Plan settlements		(39,004)
Benefit obligation at end of year	$	18,111
Fair value of plan assets at April 15, 2011	$	34,181
Employer contributions		19,000
Plan settlements		(39,004)
Actual return on plan assets		267
Benefits paid		(1,879)
Fair value of plan assets at end of year	$	12,565
Funded status - plan deficit	$	(5,546)
Unamortized actuarial loss		1,574
Accrued benefit liability - included in accounts payable and accrued liabilities	$	(3,972)

The plan assets are invested entirely in high quality money market funds.

9. EMPLOYEE BENEFIT PLANS (continued):

Net periodic pension expense of the Company's Retirement Plan for the year ended October 2, 2011 includes the following components:

		2011
Interest cost	$	900
Expected return on plan assets		(267)
Settlement charge		545
Net periodic pension expense - included in restructuring and acquisition-related costs	$	1,178

Weighted-average assumptions to determine benefit obligations and net periodic benefit cost:

	2011
Benefit obligation:	
Discount rate	4.84%
Net periodic benefit cost:	
Discount rate	3.74%
Rate of return on plan assets	3.50%

Defined Contribution Plan

For the year ended October 2, 2011, defined contribution expenses were $2.0 million (October 3, 2010 - $1.4 million; October 4, 2009 - $1.4 million).

Statutory Severance

During fiscal 2011, the Company expensed $12.2 million (2010 - $9.1 million; 2009 - $7.1 million) in cost of sales, representing management's best estimate of the cost of statutory severance and pre-notice benefit obligations accrued for active employees located in the Caribbean Basin and Central America. As at October 2, 2011, an amount of $12.6 million (October 3, 2010 - $10.2 million) has been included in accounts payable and accrued liabilities.

10. SHAREHOLDERS' EQUITY:

(a) The Company has a shareholder rights plan which provides 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) 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 $26.2 million, which is reflected in the accumulated other comprehensive income. In addition, accumulated other comprehensive income includes the changes in the fair value of the effective portion of qualifying cash flow hedging instruments outstanding at the end of the period.

10. SHAREHOLDER'S EQUITY (continued):

(c) 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 October 2, 2011 and October 3, 2010 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 October 2, 2011, there were 121,330,544 common shares (October 3, 2010 - 121,351,998) issued and outstanding.

(d) Normal Course Issuer Bid:

In December 2010, the Company announced the reinstatement of a normal course issuer bid to repurchase up to one million outstanding common shares of the Company on the TSX and the NYSE (the "NCIB"). During fiscal 2011, the Company repurchased and cancelled a total of 0.4 million common shares for a total cost of $10.5 million. Of the total cost, $0.3 million was charged to share capital and $10.2 million was charged to retained earnings as there was no amount of contributed surplus attributable to these common shares. On December 2, 2011 the TSX approved the renewal of the Company's NCIB to purchase up to one million common shares, representing approximately 0.8% of its issued and outstanding common shares, in accordance with the requirements of the TSX. Common shares purchased under the NCIB will be cancelled.

(e) Common shares purchased as settlement for Non-Treasury RSUs:

In September 2011, the Company established a trust for the purpose of purchasing 79,108 common shares on the open market for a total cost of $2.2 million which were used to settle the vesting of non-Treasury RSUs in lieu of cash. As such, the common shares were held in trust for and on behalf of the holders of the vesting non-Treasury RSUs, and the Company reflected the common shares as held in treasury at October 2, 2011. The common shares held in treasury were subsequently re-issued in October 2011, when the Non-Treasury RSUs vested. At the time the shares were purchased, the corresponding liability recorded in the amount of $2.2 million for the Non-Treasury RSUs initially expected to be settled in cash was reclassified to contributed surplus.

11. STOCK-BASED COMPENSATION:

(a) Employee share purchase plans:

The Company has employee share purchase plans which allow eligible employees to authorize payroll deductions of up to 10% of their salary to purchase from Treasury, common shares of the Company at a price of 90% of the then current stock price as defined in the plans. Shares purchased under the plans prior to January 1, 2008 must be held for a minimum of one year. Employees purchasing shares under the plans subsequent to January 1, 2008 must hold the shares for a minimum of two years. The Company has reserved 2,800,000 common shares for issuance under the plans. As at October 2, 2011, a total of 266,925 shares (2010 - 243,702) were issued under these plans. Included as compensation costs in selling, general and administrative expenses is $0.1 million (2010 - $0.1 million; 2009 - $0.1 million) relating to the employee share purchase plans.

11. STOCK-BASED COMPENSATION (continued):

(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 October 2, 2011, 2,530,322 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 granted since fiscal 2007 vest equally beginning on the second, third, fourth and fifth anniversary of the grant date, with the exception of a special one-time award of 409,711 options which cliff vest on the fifth anniversary of the grant date, and expire no more than seven or ten years after the date of the grant. All stock options granted prior to fiscal 2007 have fully vested.

As previously disclosed in fiscal 2010, an internal review of all stock option grants made by the Company since its initial public offering in 1998 was conducted by a special committee of independent directors of the Board. As a result of this review, the Company determined that certain stock options granted to employees, officers and directors during fiscal years 1999 to 2003 had been awarded at prices which were inconsistent with the terms of the Company's LTIP in effect at the time, as well as with certain requirements of the Toronto Stock Exchange. The special committee of the Board concluded that there had been no intention of wrongdoing on the part of any current or former director or senior officer in the granting of stock options during the aforesaid period. However, current directors and senior executive officers who inadvertently benefitted from more favourable pricing of stock options have voluntarily reimbursed the Company for any excess gains and have agreed to the repricing of unexercised options. In addition, the Company pursued all reasonable avenues for recoveries from other parties. The steps taken by the Company resulted in: (i) the Company increasing the exercise price of 261,440 unexercised vested stock options during the second quarter of fiscal 2010, resulting in a $0.2 million increase in the aggregate exercise value of the unexercised stock options, or representing an increase to the weighted average exercise price for these stock options of $0.77 (from $6.18 to $6.95), and also resulting in an increase of $0.10 to the weighted average exercise price of all options outstanding as at April 4, 2010 (from $18.76 to $18.86), and; (ii) the Company recovering $2.2 million in cash, including $1.1 million from current senior officers during the second quarter of fiscal 2010 relating to stock options that were previously exercised, and $1.1 million from other parties during the first quarter of fiscal 2010. Amounts recovered in cash from current senior officers have been recorded as a credit to contributed surplus. No adjustment was required to prior year financial statements under either Canadian or U.S. GAAP.

Holders of Treasury RSUs, non-Treasury RSUs and deferred share units are entitled to dividends declared by the Company which are recognized in the form of additional equity awards equivalent in value to the dividends paid on common shares. The vesting conditions of the additional equity awards are subject to the same performance objectives and other terms and conditions as the underlying equity awards. The additional awards related to outstanding Treasury RSUs are credited to contributed surplus when the dividends are declared, whereas the additional awards related to outstanding non-Treasury RSUs and deferred share units are credited to accounts payable and accrued liabilities.

11. STOCK-BASED COMPENSATION (continued):

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

Outstanding stock options were as follows:

	Number	Weighted average exercise price (in Canadian dollars)
Stock options outstanding, October 4, 2009	1,010	$ 16.21
Changes in outstanding stock options:		
Granted	498	21.77
Exercised	(183)	7.06
Forfeited	(26)	26.87
Stock options outstanding, October 3, 2010	1,299	19.57
Changes in outstanding stock options:		
Granted	69	28.64
Exercised	(379)	8.72
Forfeited	(28)	26.88
Stock options outstanding, October 2, 2011	961	$ 24.28

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

	2011	2010	2009
Risk-free interest rate	2.01%	2.69%	3.06%
Expected volatility	52.37%	42.48%	34.98%
Expected life	5.25 years	7.1 years	5.25 years
Expected dividend yield	-	-	-

The grant date weighted average fair value of stock options granted in fiscal 2011 was $13.36 (2010 – $8.51; 2009 –$9.24).

The following table summarizes information about stock options outstanding and exercisable at October 2, 2011:

	Options outstanding			Options exercisable	
Range of exercise prices (in Canadian dollars)	Number	Weighted average exercise price (in Canadian dollars)	Weighted average remaining contractual life (yrs)	Number	Weighted average exercise price (in Canadian dollars)
$ 5.40 - $ 5.72	31	$ 5.53	0.25	31	$ 5.53
$20.12 - $23.49	667	22.21	6.60	38	23.49
$27.17 - $39.39	263	31.75	3.33	175	31.93
	961	$ 24.28		244	$ 27.25

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 within a five-year vesting period. The vesting of at least 50% of each Treasury RSU grant is contingent on the achievement of performance conditions that are primarily based on the Company's average return on assets performance for the period as compared to the S&P/TSX Capped Consumer Discretionary Index, excluding income trusts, or as determined by the Board of Directors.

11. STOCK-BASED COMPENSATION (continued):

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

Outstanding Treasury RSUs were as follows:

	Number	Weighted average fair value per unit
Treasury RSUs outstanding, October 4, 2009	758	$ 18.48
Changes in outstanding Treasury RSUs:		
Granted	202	18.57
Settled through the issuance of common shares	(182)	11.64
Forfeited	(30)	24.17
Treasury RSUs outstanding, October 3, 2010	748	19.93
Changes in outstanding Treasury RSUs:		
Granted	62	35.40
Granted for dividends declared	6	29.93
Settled through the issuance of common shares	(26)	22.68
Forfeited	(29)	25.78
Treasury RSUs granted as contingent consideration (note 2)	150	35.40
Treasury RSUs outstanding, October 2, 2011	911	$ 23.34

As at October 2, 2011 and October 3, 2010, none of the outstanding Treasury RSUs were vested for which shares were issued subsequent to year-end. The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the options and Treasury RSUs, was $4.9 million (2010 - $4.1 million; 2009 - $3.0 million). 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. As described in note 2, the compensation expense excludes the value of 150,000 Treasury RSUs granted in connection with the acquisition of Gold Toe Moretz as they are considered contingent consideration.

Outstanding non-Treasury RSUs were as follows:

	Number
Non-Treasury RSUs outstanding, October 4, 2009	185
Changes in outstanding non-Treasury RSUs:	
Granted	214
Settled	(70)
Forfeited	(16)
Non-Treasury RSUs outstanding, October 3, 2010	313
Changes in outstanding non-Treasury RSUs:	
Granted	151
Granted for dividends declared	3
Settled	(29)
Forfeited	(42)
Non-Treasury RSUs outstanding, October 2, 2011	396

11. STOCK-BASED COMPENSATION (continued):

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

Non-Treasury RSUs have the same features as Treasury RSUs, except that their vesting period is a maximum of three years and they are expected to 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. Beginning in fiscal 2010, 100% of Non-Treasury RSUs awarded to executive officers are dependent upon the financial performance of the Company relative to a benchmark group of Canadian publicly listed companies. In addition, up to two times the actual number of Non- Treasury RSUs awarded to executive officers can vest if exceptional financial performance is achieved. As of October 2, 2011, the weighted average fair value per non-Treasury RSU was $25.84. Non-Treasury RSUs that are expected to be settled in cash are non-dilutive as no common shares are issued from treasury. As at October 2, 2011, none (2010 – 18,911) of the outstanding non-Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the non-Treasury RSUs, was $3.7 million (2010 - $2.9 million; 2009 - $0.8 million). The liability under this plan as at October 2, 2011, is $3.9 million (October 3, 2010 - $3.1 million) and is recorded in accounts payable and accrued liabilities.

12. 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 at least 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 October 2, 2011, there were 78,416 (2010 - 53,602) DSUs outstanding at a value of $2.0 million (2010 - $1.5 million). 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 4, 2009	36
Granted	18
DSUs outstanding, October 3, 2010	54
Granted	24
DSUs outstanding, October 2, 2011	78

13. COMMITMENTS AND CONTINGENCIES:

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

Fiscal year		
2012	$	12,210
2013		9,112
2014		6,555
2015		5,032
2016		4,316
Thereafter		10,750
	$	47,975

13. COMMITMENTS AND CONTINGENCIES (continued):

(b) As at October 2, 2011, there were contractual obligations outstanding of approximately $54.9 million for the acquisition of property, plant and equipment (2010 - $76.1 million).

(c) During fiscal 2011, the United States Department of Agriculture advanced $3.3 million (2010 - $3.1 million; 2009 - $4.3 million) to CanAm, in connection with a subsidy program with the intent of assisting domestic spinning and textile manufacturers. Amounts received under this program are based on U.S. cotton consumption. The assistance provided is not repayable, provided that eligible capital investments are incurred over a certain period of time for amounts equivalent to the assistance received. All amounts received are recorded as deferred income and are included in accounts payable and accrued liabilities until there is reasonable assurance that eligible capital investments will be incurred. Once reasonable assurance is obtained, the amounts recorded in deferred income are recognized and proportionately allocated as a reduction of cost of goods sold and property, plant and equipment, using the intent of the subsidy program as a basis for the allocation. During fiscal 2011, the Company recognized $3.2 million of the subsidies received as a reduction of cost of goods sold (2010 - $6.0 million; 2009 - nil), partially offset by a charge of $1.6 million (2010 - $3.0 million; 2009 - nil) to non-controlling interest in the Company's consolidated statement of earnings to reflect the 50% non-controlling interest of the amount recognized. In addition, the Company recorded $0.5 million (October 3, 2010 - $0.7 million; October 4, 2009 - nil) as a reduction of capital expenditures as at October 2, 2011. As at October 2, 2011, financial assistance received in the amount of $0.8 million, $3.3 million, and $0.6 million is to be disbursed by CanAm no later than February 2012, February 2013 and February 2014, respectively, to finance eligible capital expenditures.

(d) Securities Class Actions:

The Company and certain of its senior officers were named as defendants in a number of class action lawsuits filed in the United States District Court for the Southern District of New York, which were subsequently consolidated, alleging claims under the U.S. securities laws, as well as in class action lawsuits filed in the Ontario Superior Court of Justice and in the Quebec Superior Court. Each of these U.S. and Canadian lawsuits alleged, among other things, that the defendants misrepresented the Company's financial condition and its financial prospects in its earnings guidance concerning the 2008 fiscal year, which guidance was subsequently revised on April 29, 2008.

On August 3, 2010, the Company announced that it had entered into an agreement to settle all claims raised in these class action lawsuits, subject to final approval from the courts, on behalf of all persons who acquired the Company's common shares between August 2, 2007 and April 29, 2008 (the "Class Members"). Final court approval of the settlement was obtained from each of the courts in February and March 2011 and all of the actions have been dismissed on terms including releases from Class Members of the claims against the Company and the named senior officers. The settlement agreement provided for a total settlement amount of $22.5 million, which has been entirely funded by the Company's insurers. Therefore no provision has been recorded in the consolidated financial statements and no amounts have been disbursed by the Company in respect of the settlement.

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

14. 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 their contractual obligations. As at October 2, 2011, the maximum potential liability under these guarantees was $15.1 million (2010 - $21.8 million), of which $5.0 million (2010 - $5.1 million) was for surety bonds and $10.1 million (2010 - $16.7 million) was for corporate guarantees and standby letters of credit. The surety bonds are automatically renewed on an annual basis, the corporate guarantees and standby letters of credit mature at various dates in fiscal 2012.

As at October 2, 2011, 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.

15. 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:

	2011	2010	2009
Combined basic Canadian federal and provincial income taxes	$ 64,514	$ 59,533	$ 27,884
(Decrease) increase in income taxes resulting from:			
Effect of different tax rates on earnings of foreign subsidiaries	(82,407)	(70,105)	(32,181)
Income tax (recovery) charge for prior taxation years	(413)	2,322	(6,085)
Effect of non-deductible expenses and other	2,564	6,346	4,596
	$ (15,742)	$ (1,904)	$ (5,786)

The income tax recovery of $6.1 million in fiscal 2009, relates to previously unrecognized tax positions of prior taxation years.

The components of income taxes are as follows:

	2011	2010	2009
Current income taxes	$ 3,376	$ 9,523	$ (3,352)
Future income taxes	(19,118)	(11,427)	(2,434)
	$ (15,742)	$ (1,904)	$ (5,786)

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

	2011	2010
Future income tax assets (liabilities)		
Non-capital losses	$ 67,853	$ 12,778
Taxable temporary differences related to:		
Reserves and accruals	11,666	6,340
Property, plant and equipment	(6,428)	(5,863)
Intangible assets	(91,428)	(19,751)
Other	3,428	2,020
Net future income tax liability	$ (14,909)	$ (4,476)
Presented as:		
Current assets	$ 11,666	$ 6,340
Long-term liabilities	(26,575)	(10,816)

As at October 2, 2011, the Company has non-capital loss carryforwards and taxable temporary differences available to reduce future taxable income for Canadian, and U.S. tax purposes of approximately CAD$4.9 million and $1.4 million, respectively, for which no future tax asset has been recognized. The non-capital loss carryforwards expire between 2022 and 2031.

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

16. RESTRUCTURING AND ACQUISITION-RELATED COSTS, AND ASSETS HELD FOR SALE:

	2011	2010	2009
Loss (gain) on disposal of assets held for sale	$ 634	$ 37	$ (619)
Accelerated depreciation	-	2,488	-
Asset impairment loss and write-down of assets held for sale	1,722	1,826	1,595
Employee termination costs and other benefits	2,887	744	2,180
Other exit costs	3,222	3,705	3,120
Adjustment for employment contract	-	(95)	(77)
	$ 8,465	$ 8,705	$ 6,199

During the first quarter of fiscal 2010, the Company announced plans to consolidate its distribution centres servicing retail customers at its new retail distribution centre in Charleston, South Carolina, and to close its leased retail distribution facility in Martinsville, Virginia and its retail distribution facilities in Fort Payne, Alabama. In February 2009, the Company closed its U.S. sock finishing operations in Fort Payne, Alabama, and in February 2011 the Company announced the closure of the remaining U.S. sock knitting operations in Fort Payne, Alabama.

For fiscal 2011, restructuring and acquisition-related costs totalled $8.5 million, mainly relating to the closure of the U.S. sock knitting operations mentioned above, including $2.9 million of employee termination costs, other exit costs of $2.0 million related to carrying and dismantling costs and $1.7 million of asset write-downs mainly for assets held for sale. Other exit costs also included net pension expense of $1.2 million related to Gold Toe Moretz's defined benefit pension plan which was incurred primarily as a result of the Company's plan to fully fund and de-risk the plan, and reduce future pension costs.

For fiscal 2010, restructuring and acquisition-related costs totalled $8.7 million, mainly relating to the consolidation of retail distribution facilities mentioned above, including $2.5 million of accelerated depreciation, an asset impairment loss of $1.8 million, and $0.7 million of employee termination costs. The Company also incurred other exit costs of $3.7 million for fiscal 2010 including inventory transfer costs, carrying and dismantling costs, and lease termination costs.

For fiscal 2009, restructuring and acquisition-related costs totalled $6.2 million which included $3.7 million for the closure of the Company's U.S. sock finishing operations, and $3.1 million primarily related to facility closures that occurred in previous fiscal years, including carrying costs and asset write-downs, net of a gain of $0.6 million relating to assets held for sale.

Assets held for sale of $13.1 million as at October 2, 2011 (October 3, 2010 - $3.2 million) include property, plant and equipment primarily relating to closed facilities. The Company expects to incur additional carrying costs relating to the closed facilities, which will be accounted for as restructuring charges as incurred until all property, plant and equipment related to the closures are disposed. Any gains or losses on the disposal of the assets held for sale relating to closed facilities will also be accounted for as restructuring charges as incurred.

Accounts payable and accrued liabilities include amounts relating to restructuring activities and charges to comply with an employment contract with a former officer of the Company, as follows:

Balance, October 4, 2009	$ 1,686
Employee termination and other benefits	744
Adjustment for employment contract	(95)
Foreign exchange adjustment	34
Payments	(915)
Balance, October 3, 2010	1,454
Employee termination and other benefits	2,887
Payments	(3,351)
Balance, October 2, 2011	$ 990

17. OTHER COMPREHENSIVE INCOME (LOSS):

Other comprehensive income (loss) was comprised of the following:

	2011	2010	2009
Net (loss) gain on derivatives designated as cash flow hedges	$ (4,448)	$ 2,151	$ -
Income taxes	45	(22)	-
Amounts reclassified from other comprehensive income to net earnings, and included in:			
Net sales	5,177	(2,688)	-
Selling, general and administrative expenses	(1,045)	(701)	-
Financial expense (income), net	1,360	(489)	-
Income taxes	(55)	39	-
Other comprehensive income (loss)	$ 1,034	$ (1,710)	$ -

As at October 2, 2011, approximately $2.3 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

18. EARNINGS PER SHARE:

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

	2011	2010	2009
Basic earnings per share:			
Basic weighted average number of common shares outstanding	121,526	121,159	120,811
Basic earnings per share	$ 1.97	$ 1.64	$ 0.79
Diluted earnings per share:			
Basic weighted average number of common shares outstanding	121,526	121,159	120,811
Plus dilutive impact of stock options and Treasury RSUs	757	821	624
Diluted weighted average number of common shares outstanding	122,283	121,980	121,435
Diluted earnings per share	$ 1.96	$ 1.63	$ 0.79

Excluded from the above calculation for the year ended October 2, 2011 are 155,848 stock options (2010 - 612,144; 2009 - 452,093) and nil Treasury RSUs (2010 - 16,375; 2009 - 236,934) which were deemed to be anti-dilutive.

19. SUPPLEMENTAL CASH FLOW DISCLOSURE:

(a) Adjustments for non-cash items:

	2011	2010	2009
Depreciation and amortization (note 20(a))	$ 79,808	$ 66,472	$ 65,407
Variation of depreciation included in inventories (note 20(a))	(3,423)	2,725	(2,437)
Restructuring charges related to assets held for sale and property, plant and equipment (note 16)	2,356	4,351	976
Loss on disposal of long-lived assets	1,877	842	561
Loss on disposal of corporate asset (i)	3,693	-	-
Stock-based compensation costs	4,899	4,081	3,007
Future income taxes	(19,118)	(11,427)	(2,434)
Non-controlling interest in consolidated joint venture	504	3,786	110
Unrealized net loss (gain) on foreign exchange and financial derivatives not designated as cash flow hedges	255	846	(1,012)
Adjustments to financial derivatives included in other comprehensive income, net of amounts reclassified to net earnings	-	684	-
	$ 70,851	$ 72,360	$ 64,178

(i) During fiscal 2011 the Company purchased a corporate aircraft pursuant to an early purchase option under its operating lease for approximately $16.9 million. Immediately following the purchase, the Company sold the corporate aircraft to an unrelated third party for proceeds of $13.2 million, resulting in a loss of $3.7 million which is included in selling, general and administrative expenses. The Company has leased a new corporate aircraft which is being accounted for as an operating lease.

(b) Cash paid during the period for:

	2011	2010	2009
Interest	$ 3,033	$ 638	$ 2,028
Income taxes	8,620	16,443	30,419

19. SUPPLEMENTAL CASH FLOW DISCLOSURE (continued):

(c) Non-cash transactions:

	2011	2010	2009
Balance of non-cash transactions:			
Additions to property, plant and equipment included in accounts payable and accrued liabilities	$ 5,026	$ 2,099	$ 627
Proceeds on disposal of long-lived assets included in other assets	-	427	808
Proceeds on disposal of long-lived assets included in other current assets	-	-	456
Treasury RSUs issued in lieu of cash dividends	$ 191	$ -	$ -
Non-cash ascribed value credited to share capital from shares issued pursuant to vesting of Treasury RSUs and exercise of stock options	807	2,125	2,759
Shares issued as consideration for lease termination costs incurred as part of the acquisition of Gold Toe Moretz	1,065	-	-

(d) In connection with the acquisition of V.I. Prewett & Son Inc. in fiscal 2008, the purchase agreement provided for an additional purchase consideration of up to $10.0 million contingent on specified future events. This amount was initially paid into escrow by the Company, but events occurring subsequent to the acquisition resulted in a reduction of the contingent purchase price and escrow deposit balance to $5.8 million. During fiscal 2011, the contingent purchase consideration was settled and paid to the selling shareholders in the amount of $5.8 million from the escrow deposit. The additional purchase price consideration paid by the Company has been accounted for as an increase in goodwill and a corresponding decrease in other assets.

(e) Cash and cash equivalents consist of:

	2011	2010	2009
Cash balances with banks	$ 87,251	$ 196,279	$ 92,608
Short-term investments, bearing interest at rates between 0.12% and 1.05%	1,551	62,163	7,124
	$ 88,802	$ 258,442	$ 99,732

20. OTHER INFORMATION:

(a) Depreciation and amortization (excluding accelerated depreciation, which is included in restructuring and acquisition-related costs):

	2011	2010	2009
Depreciation and amortization of property, plant and equipment and intangible assets	$ 79,808	$ 66,472	$ 65,407
Adjustment for the variation of depreciation of property, plant and equipment and intangible assets included in inventories at the beginning and end of the period	(3,423)	2,725	(2,437)
Depreciation and amortization included in the consolidated statements of earnings and comprehensive income	$ 76,385	$ 69,197	$ 62,970
Comprised of:			
Depreciation of property, plant and equipment	$ 63,283	$ 60,378	$ 53,925
Amortization of intangible assets	13,087	8,797	8,843
Amortization of financing costs and other	15	22	202
Depreciation and amortization included in the consolidated statements of earnings and comprehensive income	$ 76,385	$ 69,197	$ 62,970

(b) The Company recorded bad debt expense, net of recoveries, of $0.6 million (2010 – $2.4 million; 2009 – $6.0 million) which is included in selling, general and administrative expenses.

(c) During the fourth quarter of fiscal 2010, the Company received business interruption insurance proceeds of $8.0 million, reflecting the maximum insurance recovery available under its insurance policy related to the earthquake which struck Haiti on January 12, 2010. The earthquake impacted the Company's third-party contractor operations used to sew the majority of the fabric produced at its Dominican Republic textile facility, which resulted in lost sales opportunities due to a temporary loss of production, as well as incremental costs related to supply chain inefficiencies. Business interruption proceeds have been recorded as a reduction of cost of sales in the statement of earnings and comprehensive income.

21. 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:

	2011	2010	2009
Transactions:			
Yarn purchases	$ 297,495	$ 156,761	$ 149,754
Management fee expense	750	750	750
Balances outstanding:			
Accounts payable and accrued liabilities	63,132	30,050	22,129

The Company leases warehouse and office space from an officer of a subsidiary of the Company under operating leases. The payments made on these leases were in accordance with the terms of the lease agreements established and agreed to by the related parties, which amounted to $0.6 million for fiscal 2011 (2010 - nil). There were no amounts owing as at October 2, 2011.

22. FINANCIAL INSTRUMENTS:

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk and interest rate risk, are included in the section entitled "Financial Risk Management" of the Management's Discussion and Analysis of the Company's operations, performance and financial condition as at October 2, 2011, which is included in the Report to Shareholders along with these consolidated financial statements. Accordingly, these disclosures are incorporated into these consolidated financial statements by cross-reference.

(a) Financial instruments – carrying values and fair values:

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated balance sheets, are as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held-for-trading financial assets:				
Cash and cash equivalents	$ 88,802	$ 88,802	$ 258,442	$ 258,442
Loans and receivables:				
Trade accounts receivable	191,594	191,594	145,684	145,684
Other current assets	6,008	6,008	7,980	7,980
Long-term non-trade receivable included in other assets	1,120	1,120	953	953
Restricted cash related to the acquisition of Prewett included in other assets	-	-	5,788	5,788
Derivative assets	3,299	3,299	1,099	1,099
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	$ 311,262	$ 311,262	$ 183,117	$ 183,117
Long-term debt - bearing interest at variable rates	209,000	209,000	-	-
Derivative liabilities	4,007	4,007	3,088	3,088

Derivative assets and derivative liabilities consist of the fair values of forward foreign exchange contracts, interest rate swap contracts and zero-cost collar options outstanding at October 2, 2011. The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments. The fair values of the long-term receivable and the restricted cash included in other assets, and the Company's interest-bearing financial liabilities also approximate their respective carrying amounts. The fair values of cash and cash equivalents and derivative instruments were measured using Level 2 inputs in the fair value hierarchy. In determining the fair value of financial assets and financial liabilities, including derivative financial instruments, the Company takes into account its own credit risk and the credit risk of the counterparty.

22. FINANCIAL INSTRUMENTS (continued):

(b) Financial expense (income), net:

	2011	2010	2009
Interest expense (i)	$ 2,856	$ 436	$ 1,824
Bank and other financial charges	2,216	1,504	1,039
Foreign exchange gain (ii)	(1,098)	(1,084)	(3,085)
Derivative loss (gain) on financial instruments not designated for hedge accounting	1,511	(105)	(82)
	$ 5,485	$ 751	$ (304)

(i) Interest expense (income):

	2011	2010	2009
Interest expense on long-term debt	$ 3,246	$ 88	$ 1,800
Interest expense on short-term indebtedness	27	463	142
Interest income on held-for-trading financial assets	(434)	(132)	(103)
Interest income on loans and receivables	(80)	(80)	(80)
Other interest expense	97	97	65
	$ 2,856	$ 436	$ 1,824

Interest income on held-for-trading financial assets consists of interest earned from cash and cash equivalents invested in short-term deposits. Interest income on loans and receivables relates to interest earned on the Company's long-term receivable included in other assets.

(ii) Foreign exchange gain:

	2011	2010	2009
Gain relating to financial assets and liabilities	$ (219)	$ (1,154)	$ (220)
Other foreign exchange (gain) loss	(879)	70	(2,865)
	$ (1,098)	$ (1,084)	$ (3,085)

(c) Derivative instruments:

The Company has entered into forward foreign exchange contracts and zero-cost collar options in order to reduce the exposure of forecasted cash flows in currencies other than the U.S. dollar. The forward foreign exchange contracts and the intrinsic value of zero-cost collar options were designated as cash flow hedges and qualified for hedge accounting. As such, the effective portion of unrealized gains and losses related to the fair value of the cash flow hedges are included in other comprehensive income, and are recognized in net earnings in the same period in which the foreign exchange impact of the forecasted cash flow affects net earnings. The gains and losses related to the time value of zero-cost collar options are immediately recognized in earnings in the same caption as the items being hedged. The forward foreign exchange contracts and zero-cost collar options outstanding as at October 2, 2011 consisted primarily of contracts to reduce the exposure to fluctuations in Mexican pesos, Euros, Australian dollars, Canadian dollars, and Pounds sterling against the U.S. dollar. As at October 2, 2011, the derivatives designated as cash flow hedges were considered to be fully effective with no resulting portions being ineffective.

22. FINANCIAL INSTRUMENTS (continued):

(c) Derivative instruments (continued):

				Carrying and fair value		Maturity	
October 2, 2011	Notional foreign currency amount equivalent	Average exchange rate	Notional U.S. $ equivalent	Other current assets	Accounts payable and accrued liabilities	0 to 6 months	7 to 12 months
Forward foreign exchange contracts designated as cash flow hedges:							
Sell MXN/Buy USD	112,800	0.0832	$ 9,389	$ 1,308	$ -	$ 515	$ 793
Sell CAD/Buy USD	17,100	1.0438	17,849	1,378	-	647	731
Buy CAD/Sell USD	10,006	0.9594	9,600	31	(16)	13	2
Zero-cost collar options designated as cash flows hedges:							
Put Options							
Sell AUD/Buy USD	1,500	0.9200	1,380	84	-	84	-
Sell GBP/Buy USD	3,900	1.5636	6,098	291	-	291	-
Sell EUR/Buy USD	3,000	1.3300	3,990	207	-	207	-
Call Options							
Sell AUD/Buy USD	1,500	1.0193	1,529	-	(56)	(56)	-
Sell GBP/Buy USD	3,900	1.6259	6,341	-	(118)	(118)	-
Sell EUR/Buy USD	3,000	1.3880	4,164	-	(178)	(178)	-
			$ 60,340	$ 3,299	$ (368)	$ 1,405	$ 1,526

				Carrying and fair value		Maturity	
October 3, 2010	Notional foreign currency amount equivalent	Average exchange rate	Notional U.S. $ equivalent	Other current assets	Accounts payable and accrued liabilities	0 to 6 months	7 to 12 months
Forward foreign exchange contracts designated as cash flow hedges:							
Sell AUD/Buy USD	7,908	0.8704	$ 6,883	$ -	$ (570)	$ (334)	$ (236)
Sell GBP/Buy USD	24,900	1.5443	38,454	-	(511)	(210)	(301)
Sell EUR/Buy USD	33,150	1.2964	42,977	-	(2,007)	(813)	(1,194)
Sell CAD/Buy USD	16,000	0.9938	15,900	393	-	393	-
Buy CAD/Sell USD	21,222	0.9330	19,800	706	-	368	338
			$ 124,014	$ 1,099	$ (3,088)	$ (596)	$ (1,393)

22. FINANCIAL INSTRUMENTS (continued):

(c) Derivative instruments (continued):

During fiscal 2011, the Company entered into a series of interest rate swap contracts to fix the variable interest rates on a designated portion of the borrowings under the revolving long-term credit facility. As at October 2, 2011, the interest rate swap contracts were designated as cash flow hedges and qualified for hedge accounting. As such, the effective portion of unrealized gains and losses related to the fair value of the interest rate swap contracts are included in other comprehensive income, and are recognized in earnings as a charge or credit to financial expense, in the same period as the interest payments on the amounts drawn under the revolving long- term credit facility are recognized. The following table summarizes the outstanding interest rate swap contracts as at October 2, 2011:

					Carrying and fair value	
Notional amount	Maturity date	Pay / Receive	Fixed rate	Floating rate	Other current assets	Accounts payable and accrued liabilities
$ 100,000	June 3, 2016	Pay fixed rate / Receive floating rate	1.88%	1-month U.S. LIBOR	$ -	$ (3,623)
15,000	June 3, 2016	Pay fixed rate / Receive floating rate	1.10%	1-month U.S. LIBOR	-	(13)
10,000	June 3, 2016	Pay fixed rate / Receive floating rate	1.08%	1-month U.S. LIBOR	-	(3)
$ 125,000					$ -	$ (3,639)

23. CAPITAL DISCLOSURES:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's primary uses of capital are to finance capital expenditures for manufacturing and distribution facilities, working capital requirements, payment of dividends, and business acquisitions. The Company currently funds these requirements out of its internally-generated cash flows and the periodic use of its revolving long-term bank credit facility.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to earnings before interest, taxes, depreciation and amortization, non-controlling interest, and restructuring and acquisition-related costs ("EBITDA"), which it aims to maintain at less than a maximum of 3.0:1. Net debt is computed as at the most recent quarterly balance sheet date. EBITDA is based on the last four quarters ending on the same date as the balance sheet date used to compute net debt. The computations of net debt/cash in excess of total indebtedness and EBITDA as at October 2, 2011, October 3, 2010 and October 4, 2009 were as follows:

23. CAPITAL DISCLOSURES (continued):

	2011	2010	2009
Current portion of long-term debt	$ -	$ -	$ 2,803
Long-term debt	209,000	-	1,584
Less: cash and cash equivalents	(88,802)	(258,442)	(99,732)
Net debt (Cash in excess of total indebtedness)	$ 120,198	$ (258,442)	$ (95,345)

	For the last four quarters ended on		
	October 2, 2011	October 3, 2010	October 4, 2009
Net earnings	$ 239,904	$ 198,245	$ 95,329
Restructuring and acquisition-related costs	8,465	8,705	6,199
Depreciation and amortization	79,808	66,472	65,407
Variation of depreciation included in inventories	(3,423)	2,725	(2,437)
Interest, net	2,856	436	1,824
Income tax recovery	(15,742)	(1,904)	(5,786)
Non-controlling interest in consolidated joint venture	504	3,786	110
EBITDA	$ 312,372	$ 278,465	$ 160,646
Net debt to EBITDA ratio	0.4:1	n/a	n/a

The Company does not currently plan to refinance its revolving credit facility, or a portion thereof, with debt of longer maturities or to raise additional equity capital, unless uses of cash arise which are currently not anticipated. In the third quarter of fiscal 2011, the Company used its revolving credit facility to partially finance the acquisition of Gold Toe Moretz.

In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

In December 2010, the Board of Directors approved the introduction of a quarterly cash dividend. During fiscal 2011, the Company has paid an aggregate of $27.5 million of dividends. On November 29, 2011, the Board of Directors declared a quarterly dividend of $0.075 per share for an expected aggregate payment of $9.1 million which will be paid on January 6, 2012 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on December 15, 2011. The Board of Directors will consider several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's revolving long-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 payment of dividends under the Company's dividend policy.

The Company is not subject to any capital requirements imposed by a regulator.

24. 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) Net sales by major product group:

	2011	2010	2009
Activewear and underwear	$ 1,406,036	$ 1,084,953	$ 795,535
Socks	320,005	226,510	242,784
	$ 1,726,041	$ 1,311,463	$ 1,038,319

(b) Major customers and revenues by geographic area:

(i) The Company has two customers accounting for at least 10% of total net sales:

	2011	2010	2009
Customer A	19.4%	21.0%	18.6%
Customer B	12.1%	14.3%	15.5%

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

	2011	2010	2009
United States	$ 1,536,670	$ 1,154,776	$ 939,717
Canada	63,422	54,160	35,134
Europe and other	125,949	102,527	63,468
	$ 1,726,041	$ 1,311,463	$ 1,038,319

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

	2011	2010
Honduras	$ 333,143	$ 243,033
Caribbean Basin	115,582	118,876
United States	84,873	81,555
Bangladesh	12,391	12,124
Canada	8,537	10,051
Other	10,872	13,653
	$ 565,398	$ 479,292

(d) Intangible assets by geographic area are as follows:

	2011	2010
United States	$ 250,060	$ 54,650
Canada	5,294	5,456
Honduras	951	907
Other	162	308
	$ 256,467	$ 61,321

24. SEGMENTED INFORMATION (continued):

(e) Goodwill by geographic area is as follows:

		2011		2010
United States	$	149,731	$	6,709
Bangladesh		3,488		3,488
	$	153,219	$	10,197

25. COMPARATIVE FIGURES:

The Company reclassified $6.3 million of future income taxes between current and non-current as at October 3, 2010.

26. SUBSEQUENT EVENT:

On November 30, 2011, the Company announced a reduction in its selling prices in the U.S. wholesale distributor channel. The Company also concurrently announced that the reduction in selling prices will be applied to existing distributor inventories, which is projected to result in a distributor inventory devaluation discount of approximately $17 million, and which will be recorded as a reduction to trade accounts receivable and net sales in the first quarter of fiscal 2012.

KPMG LLP
Chartered Accountants
600 de Maisonneuve Blvd. West
Suite 1500
Montréal Québec H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Gildan Activewear Inc.

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

- our Report of Independent Registered Public Accounting Firm dated November 30, 2011 on the consolidated balance sheets as at October 2, 2011 and October 3, 2010 and the consolidated statements of earnings and comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended October 2, 2011;

- our Report of Independent Registered Public Accounting Firm on Reconciliation to United States GAAP dated November 30, 2011 on the Company's supplementary information entitled "Reconciliation to United States GAAP"

- our Report of Independent Registered Public Accounting Firm dated November 30, 2011 on the Company's internal control over financial reporting as of October 2, 2011;

each of which is contained in this annual report on Form 40-F of Gildan Activewear Inc. for the fiscal year ended October 2, 2011.

KPMG LLP

Chartered Accountants

December 9, 2011
Montréal, Canada

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.

Exhibit 99.4

Supplementary Information of

GILDAN ACTIVEWEAR INC.

Three years ended October 2, 2011

KPMG LLP
Chartered Accountants
600 de Maisonneuve Blvd. West
Suite 1500
Montréal Québec H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON RECONCILIATION TO UNITED STATES GAAP

To the Board of Directors of Gildan Activewear Inc.

On November 30, 2011, we reported on the consolidated balance sheets of Gildan Activewear Inc. (the "Company") as at October 2, 2011 and October 3, 2010 and the consolidated statements of earnings and comprehensive income, shareholders' equity and cash flows for the years ended October 2, 2011, October 3, 2010 and October 4, 2009, which are included in the annual report on Form 40-F. Our audits were for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in the related supplementary schedule entitled "Reconciliation to United States GAAP" included in the Form 40-F is presented for purposes of additional analysis and requirements under securities legislation. Such supplementary information has been subject to the audit procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statement taken as a whole.

KPMG LLP

Chartered Accountants

Montréal, Canada
November 30, 2011

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GILDAN ACTIVEWEAR INC.
Reconciliation to United States GAAP

Years ended October 2, 2011, October 3, 2010 and October 4, 2009
(Tabular amounts in thousands or thousands of US dollars, except per share amounts)

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

(a) Consolidated statements of earnings and comprehensive income:

	2011	2010	2009
Net earnings as per Canadian GAAP	$ 239,904	$ 198,245	$ 95,329
Adjustments:			
Transaction costs (i)	(7,271)	(600)	-
Non-controlling interest in consolidated joint venture (ii)	504	3,786	110
Remeasurement of contingent consideration (i)	1,460	-	-
Lease termination costs (i)	(395)	-	-
Net pension expense (i)	(3,506)	-	-
Tax effect of above adjustments	2,584	-	-
Net earnings as per United States GAAP	$ 233,280	$ 201,431	$ 95,439
Net earnings attributable to:			
Shareholders of Gildan Activewear Inc.	$ 232,776	$ 197,645	$ 95,329
Non-controlling interest in consolidated joint venture	$ 504	$ 3,786	$ 110

	2011	2010	2009
Net earnings as per United States GAAP	$ 233,280	$ 201,431	$ 95,439
Other comprehensive loss, net of related income taxes	(1,276)	(1,710)	-
Comprehensive income as per United States GAAP	$ 232,004	$ 199,721	$ 95,439
Comprehensive income attributable to:			
Shareholders of Gildan Activewear Inc.	$ 231,500	$ 195,935	$ 95,329
Non-controlling interest in consolidated joint venture	$ 504	$ 3,786	$ 110

GILDAN ACTIVEWEAR INC.
Reconciliation to United States GAAP

Years ended October 2, 2011, October 3, 2010 and October 4, 2009
(Tabular amounts in thousands or thousands of US dollars, except per share amounts)

(a) Consolidated statements of earnings and comprehensive income (continued):

	2011	2010	2009
Earnings per share attributable to the shareholders of			
Gildan Activewear Inc. as per United States GAAP:			
Basic	$ 1.92	$ 1.63	$ 0.79
Diluted	1.90	1.62	0.79
Weighted average number of common shares outstanding			
Basic	121,526	121,159	120,811
Diluted	122,283	121,980	121,435

(b) Consolidated statements of shareholders' equity:

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

	2011	2010
Shareholders' equity as per Canadian GAAP	$ 1,327,315	$ 1,114,429
Adjustments:		
Transaction costs (i)	(7,871)	(600)
Remeasurement of contingent consideration (i)	1,460	-
Lease termination costs (i)	(395)	-
Net pension expense (i)	(3,506)	-
Tax effect of above adjustments	2,584	-
Non-controlling interest in consolidated joint venture (ii)	11,562	11,058
Pension liability adjustment, net of tax (iii)	(2,310)	-
Shareholders' equity as per United States GAAP	$ 1,328,839	$ 1,124,887

(c) Consolidated statements of cash flows:

	2011	2010	2009
Cash flows from operating activities:			
Net cash provided by operating activities as per Canadian GAAP	$ 181,550	$ 301,551	$ 169,179
United States GAAP adjustments to:			
Net earnings	(6,624)	3,186	110
Future income taxes	(2,584)	-	-
Non-controlling interest in consolidated joint venture	(504)	(3,786)	(110)
Accounts payable and accrued liabilities	2,046	-	-
Other	395	-	-
Net cash provided by operating activities as per United States GAAP	174,279	300,951	169,179
Net cash provided by (used in) financing activities as per Canadian GAAP and United States GAAP	172,832	(1,359)	(47,711)
Net cash used in investing activities as per Canadian GAAP	(523,937)	(141,246)	(34,198)
United States GAAP adjustments to:			
Business acquisitions	7,271	600	-
Net cash used in investing activities as per United States GAAP	(516,666)	(140,646)	(34,198)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(85)	(236)	105
Net (decrease) increase in cash and cash equivalents during the year	(169,640)	158,710	87,375
Cash and cash equivalents, beginning of year	258,442	99,732	12,357
Cash and cash equivalents, end of year	$ 88,802	$ 258,442	$ 99,732

Notes to the United States GAAP adjustments:

(i) Business combinations

Effective October 5, 2009, the Company adopted the new accounting standard for business combinations in Accounting Standards Codification 805, "Business Combinations" (ASC 805).

Acquisition related costs - Under ASC 805, restructuring charges (such as lease termination costs) and transaction costs directly related to the acquisition are expensed as incurred. Under Canadian GAAP, restructuring and other acquisition-related costs of a business combination are included in the cost of the purchase, subject to certain conditions. The adjustment for transaction costs of $7.3 million (2010 - $0.6 million) and lease termination costs of $0.4 million represents acquisition-related costs which were included in the cost of business combinations, for Canadian GAAP purposes, which occurred in fiscal 2011.

Contingent consideration - Under ASC 805, the estimated fair value of contingent consideration is recognized at the acquisition date and a remeasurement adjustment to fair value is recorded at each reporting date with an offset to current period earnings. Under Canadian GAAP, contingent consideration is not recorded at the date of acquisition unless the outcome of the contingency can be determined beyond a reasonable doubt. The adjustment for the remeasurement of contingent consideration of $1.5 million represents the decrease in the fair value of the contingent consideration of $5.3 million recognized under U.S. GAAP at the date of acquisition, which was not recognized under Canadian GAAP for a business combination which occurred in fiscal 2011.

Accrued benefit liabilities – Under ASC 805, the effects of any planned, but not executed, amendments, terminations, or curtailments to defined benefit pension plans and other postretirement plans acquired are excluded from the measurement of the funded status of those plans at the date of acquisition. Planned or anticipated amendments, terminations, or curtailments are not part of the liabilities assumed as of the acquisition date. Such actions are recognized in the post business combination financial statements as a charge or credit to earnings. Under Canadian GAAP, the accrued benefit asset or accrued benefit liability at the time of acquisition is measured based on the amount expected to be received or paid on settlement, when the plan is expected to be wound up. As a result of the difference in the initial measurement of the accrued pension benefit liability at the date of acquisition, as well as the subsequent impact on net earnings related to differences in the measurement of the accrued benefit liability as at October 2, 2011, an adjustment for a charge of $3.5 million was required under United States GAAP.

(ii) Non-controlling interest in consolidated joint venture

Effective October 5, 2009, the Company adopted the new accounting standard for consolidation in Accounting Standards Codification 810, "Consolidation" (ASC 810). Under ASC 810, non-controlling interest is presented as a separate component of shareholders' equity (as opposed to a separate caption between liabilities and equity). In addition, the portion of net earnings and comprehensive income attributable to the controlling and non-controlling interests must be presented separately in the statement of earnings and comprehensive income. This adjustment reflects the presentation of non- controlling interests as required under United States GAAP.

(iii) Defined Benefit Pension Plans

Under U.S. GAAP, Accounting Standards Codification 715, "Compensation – Retirement Benefits" (ASC 715), the Company is required to recognize the funded status of defined benefit pension plans on the balance sheet. The accumulated benefit obligation for the defined benefit pension plan acquired through a business combination which occurred in fiscal 2011 exceeds the fair value of plan assets as at October 2, 2011. ASC 715 requires the funded status of pension plans to be presented on the balance sheet by recording the unrecognized actuarial

Notes to the United States GAAP adjustments (continued):

(iii) Defined Benefit Pension Plans (continued)
gains and losses and prior service cost in accumulated other comprehensive loss. As a result, the Company has recorded a pension liability adjustment of $2.3 million, net of related taxes, to other comprehensive income.

Adoption of new accounting standards:

Consolidation of Variable Interest Entities
In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-17 (ASU 2009-17), (Consolidations Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (VIEs). ASU 2009-17 requires an ongoing reassessment of determining whether a variable interest gives a company a controlling financial interest in a VIE. It also requires an entity to qualitatively, rather than quantitatively, determine whether a company is the primary beneficiary of a VIE. Under the new standard, the primary beneficiary of a VIE is a party that has the controlling financial interest in the VIE and has both the power to direct the activities that most significantly impact the VIE's economic success and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. ASU 2009-17 is effective for interim and annual reporting periods beginning after November 15, 2009. The Company adopted this standard effective the beginning of fiscal 2011 (October 4, 2010) and the adoption of this standard did not have any impact on its financial statements.

Future Accounting Standards:

International Financial Reporting Standards
In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) will replace Canadian GAAP for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. As a result, the Company will be required to change over to IFRS for its fiscal 2012 interim and annual consolidated financial statements beginning October 3, 2011 with comparative information for fiscal 2011. In 2008, the U.S. Securities and Exchange Commission adopted rules to accept filings of financial statements of foreign private issuers prepared in accordance with IFRS as issued by the IASB without reconciliation to U.S. GAAP. As a result, a reconciliation to United States GAAP will no longer be presented for the Company's consolidated financial statements for fiscal 2012.

EXHIBIT 99.5

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 9, 2011

/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 9, 2011

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

EXHIBIT 99.6

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

Gildan Activewear Inc. (the "Corporation") is filing its annual report on Form 40-F for the fiscal year ended October 2, 2011 (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 9, 2011

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

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

Gildan Activewear Inc. (the "Corporation") is filing its annual report on Form 40-F for the fiscal year ended October 2, 2011 (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 9, 2011

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