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STERLING SHOES LIMITED PARTNERSHIP

FOR IMMEDIATE RELEASE

March 20, 2006

STERLING SHOES INCOME FUND

FOURTH QUARTER 2005 SALES UP 22%

HIGHLIGHTS:

- Fourth-quarter 2005 sales increased 22% over the same period in 2004.
- Same-store sales grew 10% during 2005 fourth-quarter over the same period in 2004.
- Adjusted EBITDA for 173-day period ended December 31, 2005 was 13% of sales.
- Distributions of \$0.67 per Unit were declared for the 173-day period ended December 31, 2005, 32% over regular monthly distributions due to special distribution of \$0.16 per Unit.
- Announced plans to expand to at least 122 stores by July 31, 2006, 21 of which will be in Ontario – up from 100 and 3 on July 12, 2005, respectively.

VANCOUVER, BC, March 20, 2006 –Sterling Shoes Income Fund (TSX: SSIUN) today reported its financial results for the fourth quarter of 2005 and the 173-day period from its initial public offering (“IPO”) on July 12, 2005 to December 31, 2005.

“We are very excited by our performance throughout 2005,” said Jeremy Horwitz, President and Chief Executive Officer. “We increased sales by 22% during the fourth quarter of 2005 and grew same-store sales by 10% during that period.”

“Sterling has developed considerable momentum in the marketplace, successfully entering new geographic markets and delivering growth at its existing stores. We have continued to execute on our expansion strategy, opening 10 stores in the Ontario market. We have also announced plans to open another 11 Ontario stores in time for the Fall 2006 season.”

“At the time of our IPO,” Mr. Horwitz noted, “we forecast a monthly distribution of \$0.0896 per unit. Thanks to our strong performance, we had excess distributable cash and declared a special year-end distribution of \$0.16 per unit, bringing our distributions for the 173-day period ended December 31, 2005 to \$0.67 per unit, 32% above our initial forecast.”

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Financial Results from July 12, 2005 to December 31, 2005

Sales for the 173-day period ended December 31, 2005 were \$43.7 million, up 19% from the same period in 2004. Factors driving the increase included:

- Same-store sales growth of 9% contributing \$3.1 million in additional sales.
- Sales from new stores (those not yet open for 12 months as at July 12, 2005) adding \$3.9 million in sales.

Cost of sales was 49.8 % of sales during the 173-day period ended December 31, 2005. This period's cost of sales includes an additional provision for product obsolescence of \$1.3 million. Cost of sales performance for the corresponding period in 2004 are not comparable as it was the practice of Sterling Shoes Inc. at that time to record its product obsolescence provision in the month of January. If this obsolescence provision is adjusted out of the 2005 results, cost of sales for the 173-day period ended December 31, 2005 would have been 46.0 %, an improvement of 2.6 % over the corresponding 2004 period. Gross margin and other measures of profitability as a percentage of sales for the 173-day period ended December 31, 2005 over the corresponding 2004 period would have improved accordingly.

Our focus on operational efficiencies and our cost-conscious culture translated into reductions in store and selling expenses as a percentage of sales to 31.7% during the 173-day period ended December 31, 2005 from 32.7% during the same period in 2004.

General and administrative expenses increased to 5.5% of sales for the 173-day period ended December 31, 2005 from 3.3% during the same period in 2004. Increases included additional management personnel and the adjustment to market of management's compensation arrangements, including bonuses and the Fund's obligations under its long-term incentive plan and certain non-recurring costs to establish the Fund as a publicly-traded entity.

Net income for the 173-day period ended December 31, 2005 was \$4.4 million, or \$0.66 per unit (diluted – \$0.66 per unit). Adjusted EBITDA for this period was \$5.6 million, or 13% of sales. This represents \$0.83 per unit. Distributable cash generated for the 173-day period was \$4.7 million, from which the Fund declared distributions totaling \$4.4 million, or \$0.67 per unit.

Sterling's business is subject to seasonality with strongest sales during the second, third and fourth quarters. Consequently, the results of the July 12 to December 31, 2005 period should not be considered representative of a 12-month period of distributable cash. In addition, the actual timing of and number of additional store openings could differ materially from what is described herein if Sterling is unable to reach timely and satisfactory agreements with the various landlords as to the final lease documentation, secure adequate labour and materials to construct the stores, deliver sufficient inventory, adapt our operational systems, or hire, train and integrate employees.

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Financial Results for the Fourth-Quarter of 2005

In the fourth quarter of 2005, sales rose 22% to \$24.1 million from \$19.8 million a year earlier, as same-store sales increased by 10%.

Cost of sales was 52.9% of sales for the fourth quarter of 2005 as compared to 49.1% during 2004. As indicated previously, cost of sales are not comparable year over year. The fourth quarter of 2005 included an additional product obsolescence provision of \$1.1 million which, if adjusted out, would have reduced this periods cost of sales ratio by 1.9% of sales over the same period in 2004.

Net income for the fourth quarter of 2005 was \$1.4 million, or \$0.21 per unit (diluted – \$0.21 per unit). Adjusted EBITDA for the quarter was \$2.0 million, or 8.4% of sales.

“It is still early in the year, but at this time we are optimistic that our expansion strategy will result in continued growth for the business throughout 2006,” Mr. Horwitz said.

STERLING SHOES INCOME FUND

Consolidated Balance Sheet

As at December 31, 2005

ASSETS

CURRENT

Cash	\$	3,710,066
Accounts receivable		96,709
Inventory		15,338,152
Prepaid expenses and deposits		242,567

19,387,494

LEASEHOLDS AND EQUIPMENT

DEFERRED FINANCING COSTS

GOODWILL

INTANGIBLE ASSETS

9,602,058

90,632

827,809

49,041,000

\$ 78,948,992

LIABILITIES AND UNITHOLDERS' EQUITY

CURRENT

Accounts payable and accrued liabilities	\$	10,969,899
Distributions payable		1,895,667

12,865,566

TERM LOAN

DEFERRED LEASE INDUCEMENTS

5,000,000

1,260,257

NON-CONTROLLING INTEREST

UNITHOLDERS' EQUITY

11,964,635

47,858,535

\$ 78,948,992

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STERLING SHOES INCOME FUND Consolidated Statement of Income For the period ended December 31, 2005	October 1, 2005 to December 31, 2005	July 12, 2005 to December 31, 2005
SALES	\$ 24,127,428	\$ 43,671,784
COST OF SALES	12,752,651	21,767,108
GROSS MARGIN	11,374,777	21,904,676
EXPENSES		
Store and selling	7,631,052	13,823,524
General and administrative	1,630,323	2,398,018
	9,261,375	16,221,542
Income before interest, depreciation, amortization and non-controlling interest	2,113,402	5,683,134
Interest expense	31,349	111,972
Loss on disposal of leaseholds and equipment	110,913	110,913
Depreciation on leaseholds and equipment	557,689	1,007,211
Amortization of deferred financing costs	8,963	16,919
INCOME BEFORE NON-CONTROLLING INTEREST	1,404,488	4,436,120
NON-CONTROLLING INTEREST	280,898	887,224
NET INCOME	\$ 1,123,590	\$ 3,548,896

STERLING SHOES INCOME FUND
Consolidated Statement of Unitholders' Equity
For the period from July 12, 2005 to December 31, 2005

	Fund Units	Cumulative earnings	Cumulative distributions	Total
Balance, July 12, 2005	\$ 0	0	\$ 0	\$ 0
Issuance of units on initial public offering	53,134,880			53,134,880
Issuance costs	(5,288,093)			(5,288,093)
Net income for the 81-day period ended September 30, 2005		2,425,305		2,425,305
Distributions declared during the 81-day period ended September 30, 2005			(1,259,034)	(1,259,034)
BALANCE, September 30, 2005	\$ 47,846,787	2,425,305	\$ (1,259,034)	\$ 49,013,058
Balance, October 1, 2005	\$ 47,846,787	2,425,305	\$ (1,259,034)	\$ 49,013,058
Net income for the fourth quarter of 2005		1,123,590		1,123,590
Distributions declared during the fourth quarter of 2005			(2,278,114)	(2,278,114)
BALANCE, December 31, 2005	\$ 47,846,787	3,548,896	\$ (3,537,148)	\$ 47,858,535

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STERLING SHOES INCOME FUND Consolidated Statement of Cash Flows For the period ended December 31, 2005	October 1, 2005 to December 31, 2005	July 12, 2005 to December 31, 2005
OPERATING ACTIVITIES		
Net Income	\$ 1,123,590	\$ 3,548,896
Items not involving cash		
Depreciation on leaseholds and equipment	557,689	1,007,211
Amortization of deferred financing costs	8,963	16,919
Amortization of deferred lease inducements	(90,303)	(146,380)
Non-controlling interest	280,898	887,224
	<u>1,880,837</u>	<u>5,313,869</u>
Change in non-cash working capital balances related to operations		
Accounts receivable	(91,480)	(85,696)
Inventory	3,656,530	800,887
Prepaid expenses and deposits	85,975	948,574
Accounts payable and accrued liabilities	(2,243,722)	628,694
	<u>1,407,303</u>	<u>2,292,459</u>
Cash provided by operating activities	<u>3,288,140</u>	<u>7,606,328</u>
INVESTING ACTIVITIES		
Acquisition of leaseholds and equipment	(853,741)	(1,539,622)
Loss on disposal of leaseholds and equipment	110,913	110,913
Lease inducements received	0	58,200
Acquisition of the Sterling Shoes Inc. business	0	(52,739,237)
	<u>(742,828)</u>	<u>(54,109,746)</u>
FINANCING ACTIVITIES		
Proceeds from term loan	0	5,000,000
Financing costs incurred	0	(107,550)
Initial public offering of Fund Units, net of expenses	0	47,846,787
Payment of distributions	(1,742,705)	(2,525,753)
	<u>(1,742,705)</u>	<u>50,213,484</u>
CASH INFLOW DURING THE PERIOD	802,608	3,710,066
CASH, BEGINNING OF PERIOD	2,907,459	0
CASH, END OF PERIOD	\$ 3,710,066	\$ 3,710,066

Additional details are available in the Fund's annual Management's Discussion and Analysis and Financial Statements filed on SEDAR (www.sedar.com) and on the Fund's website at www.sterlingshoesincomefund.com.

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Conference Call Notification

Please note the Fund's conference call will take place at 11:00am Pacific time (2:00pm EDT) on Wednesday, March 22, 2006. The number to participate in the teleconference is Toll-free: 877-888-3490 or 416-695-9757. To ensure your participation, please call in about five minutes before the start of the call. For those unable to participate, a telephone replay will be available until April 5, 2006 at 888-509-0081.

Note: "EBITDA" and "Adjusted EBITDA" are not financial measures recognized by Canadian generally accepted accounting principals ("GAAP") and do not have standardized meanings prescribed by GAAP. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. See "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" in Management's Discussion and Analysis for reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable measure calculated in accordance with GAAP. See also "Non-GAAP Measures" in the Fund's Management's Discussion and Analysis filed on SEDAR (www.sedar.com).

Distributable cash is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance. The Fund defines distributable cash as Adjusted EBITDA less interest expense and less maintenance capital expenditures. The method of calculating the Fund's distributable cash may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

Forward-looking statements

Certain statements in this press release may constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this press release, such statements often use, but are not limited to, such words as "may", "will", "expect", "should", "believe", "intend", "plan", "anticipate", "potential", and other similar terminology. These statements reflect current expectations of management regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the following

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factors: competitive and economic environment, impact of changes to tax treatment of income trusts or dividend tax credits, foreign exchange, seasonality, fluctuation of cash distributions and nature of Units. Although the forward-looking statements contained in this press release are based upon what our management believes to be reasonable assumptions, we cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release and we assume no obligation to update or revise them to reflect new events or circumstances.

About Sterling Shoes Income Fund

Sterling is a leading Vancouver-based independent footwear retailer offering a broad selection of private label and brand name shoes and accessories in five Canadian provinces through its four separate retail banners: Sterling, Joneve, Shoe Warehouse and Freedman's. Since 1987, Sterling Shoes has grown from five shopping mall locations to 109 stores (as at March 15, 2006) located primarily in western Canada in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. The Fund currently employs over 850 employees, and its sales for the 12 month period ended December 31, 2005 were \$81.9 million. The Fund's units are listed on the Toronto Stock Exchange under the symbol SSI.UN.

For further information, please visit us at www.SterlingShoesIncomeFund.com, or contact:

Daniel S. Gumprich
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(604) 270-6114

Additional information about Sterling Shoes Income Fund can be found in the disclosure documents filed by Sterling Shoes Income Fund with the securities regulatory authorities, available at www.sedar.com.

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