

FOR IMMEDIATE RELEASE

May 7, 2007

STERLING SHOES INCOME FUND FUND ANNOUNCES FIRST QUARTER 2007 RESULTS

HIGHLIGHTS:

- **Overall sales increase 26% during first quarter 2007 over same period in 2006.**
- **Same-store sales grew 7% during first quarter 2007 over same period in 2006.**
- **5 new stores opened during first quarter 2007.**
- **Sterling Outlet Concept Store to be launched in May 2007.**

VANCOUVER, BC, May 7, 2007 – Sterling Shoes Income Fund (TSX: SSI.UN) (the “Fund”) today reported its financial results for the quarter ended March 31, 2007.

“Our expansion strategy continues to unfold as planned. Since January 1, 2007 the Fund has opened 5 stores (4 net openings), renovated 5 stores and relocated 2 stores,” said Jeremy Horwitz, President and Chief Executive Officer of the Fund.

“We continue to expand our market presence in some of Ontario’s high profile malls under the Sterling banner, and to add Shoe Warehouse outlets in Ontario where suitable locations become available. We believe that there is significant potential for growth across Canada using the formats that have proven successful for us and we continue to evaluate and identify opportunities to add new stores both in new regions and in regions already served by us.

During 2006 we started a new banner, Gia, as a concept store on Robson Street in Vancouver. In the Fall of 2007 we expect to expand the banner from concept stage to include our second Gia store in the Metrotown Mall in Burnaby, British Columbia. We will also launch another new concept with the opening of our first Sterling Outlet store in Calgary, Alberta this month.

Since our initial public offering (“IPO”) on July 12, 2005, the Fund has opened 34 stores (31 net openings), renovated 12 stores and relocated 8 stores. During the first quarter of 2007 we utilized a portion of our operating credit facilities to finance the maintenance and capital expenditure associated with our store openings, renovations and relocations, infrastructure development as well as to finance the inventory required for our new and existing stores heading into the peak Spring season.

However, we have still only accessed a portion of our operating credit facilities. We have not yet had to access any of the credit facilities designated for capital expenditure. This is due to the profitability and cash flow from our existing and recently opened stores.

Sterling

STERLING SHOES LIMITED PARTNERSHIP

On March 22, 2007 the Board of Trustees of the Fund approved a \$0.15 per unit supplement to the \$0.32 per unit special distribution declared in December 2006. This brought the Fund's special distribution in respect of its 2006 taxable income to \$0.47 per unit. The final installment of this special was paid on March 30, 2007."

Financial Results for the quarter ended March 31, 2007

During the first quarter of 2007, sales rose 26% to \$24.0 million from \$19.0 million a year earlier, as same-store sales increased by 7%.

Cost of sales as a percentage of sales for the quarter ended March 31, 2007 was 41.1% compared to 41.8% for the same period during 2006, primarily a result of procurement cost savings.

Store and selling expenses for the quarter ended March 31, 2007 were 38.7% of sales compared to 37.0% for the same period during 2006. Store and selling expenses are largely variable as a percentage of sales. The Fund opened 6 new stores during the first quarter of 2007 and employed additional resources in those stores to ensure that new staff were properly trained and that new stores opened smoothly. The Fund began advertising in the Ontario market in a significant way for the first time during the quarter.

General and administrative ("G&A") expenses for the quarter ended March 31, 2007 were 6.9% of sales compared to 6.6% during the same period in 2006. The increase is primarily due to expenses relating to the Fund's long-term incentive plan ("LTIP"). During the three months ended March 31, 2007 the Fund recorded an expense relating to its LTIP of \$293 thousand.

Income before non-controlling interest for the first quarter of 2007 was \$2.3 million, or \$0.34 per unit (diluted – \$0.34 per unit).

Adjusted EBITDA during the first quarter of 2007 was \$3.1 million, representing \$0.46 per unit. This compares to Adjusted EBITDA of \$2.7 million in the corresponding 2006 quarter, or \$0.41 per unit.

Distributable Cash available for distribution to unitholders other than the retained interest during the quarter ended March 31, 2007 was \$1.5 million from which the Fund declared distributions totaling \$1.9 million, or \$0.36 per unit. This compares to distributable cash available for distribution to unitholders other than the retained interest of \$1.8 million during the quarter ended March 31, 2006 from which the Fund declared distributions totaling \$1.4 million, or \$0.269 per unit. The higher payout ratio is due primarily to increases in maintenance capital expenditures. Management believes that our present level of distributions is sustainable.

freedman
shoes

Sterling

Joneve

SHOE
WAREHOUSE

Sterling

STERLING SHOES LIMITED PARTNERSHIP

STERLING SHOES INCOME FUND Consolidated Balance Sheet (Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)	As at March 31, 2007	As at December 31, 2006
ASSETS		
CURRENT		
Cash	\$ 0	\$ 2,845
Accounts receivable	1,006	465
Inventory	27,434	18,640
Prepaid expenses and deposits	731	625
	29,171	22,574
LEASEHOLDS AND EQUIPMENT	14,092	13,283
GOODWILL	828	828
INTANGIBLE ASSETS	49,041	49,041
	\$ 93,132	\$ 85,726
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT		
Operating loan	\$ 5,060	\$ -
Accounts payable and accrued liabilities	19,539	13,893
Distributions payable	1,116	4,218
	25,715	18,110
TERM LOAN	5,000	5,000
DEFERRED LEASE INDUCEMENTS	1,460	1,535
NON-CONTROLLING INTEREST	12,214	12,231
UNITHOLDERS' EQUITY	48,743	48,849
	\$ 93,132	\$ 85,726

freedman
shoes

Sterling

Joneve

SHOE
WAREHOUSE

Sterling

STERLING SHOES LIMITED PARTNERSHIP

STERLING SHOES INCOME FUND		Three-month	Three-month
Consolidated Statement of Income		period ended	period ended
(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)		Mar 31, 2007	Mar 31, 2006
SALES	\$	23,950	\$ 19,045
COST OF SALES		9,851	7,956
GROSS MARGIN		14,099	11,089
EXPENSES			
Store and selling		9,275	7,046
General and administrative		1,663	1,258
		10,938	8,304
Income before interest, amortization and non-controlling interest		3,161	2,785
Interest expense		109	68
Loss on disposal of leaseholds and equipment		(4)	43
Amortization of leaseholds and equipment		788	588
Amortization of deferred financing costs		0	9
INCOME BEFORE NON-CONTROLLING INTEREST		2,268	2,077
NON-CONTROLLING INTEREST		462	416
NET INCOME	\$	1,806	\$ 1,662
Basic and diluted net income per unit	\$	0.34	\$ 0.31
Basic weighted average number of units outstanding		5,313,488	5,313,488
Diluted weighted average number of units outstanding		6,641,860	6,641,860

STERLING SHOES INCOME FUND

Consolidated Statement of Unitholders' Equity

For the three month period ended March 31, 2007

(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)

	Fund Units	Cumulative earnings	Cumulative distributions	Total
Balance, July 12, 2005	\$ 0	0	0	\$ 0
Issuance of units on initial public offering	53,135	-	-	53,135
Issuance costs	(5,288)	-	-	(5,288)
Net income for the 173-day period	-	3,549	-	3,549
Distributions declared during the 173-day period	-	-	(3,537)	(3,537)
BALANCE, December 31, 2005	\$ 47,847	3,549	(3,537)	\$ 47,859
Net income	-	1,668	-	1,668
Distributions declared	-	-	(1,428)	(1,428)
BALANCE, March 31, 2006	\$ 47,847	5,216	(4,965)	\$ 48,098
Net income	-	8,348	-	8,348
Distributions declared during the nine-month period ended December 31, 2006	-	-	(7,596)	(7,596)
BALANCE, December 31, 2006	\$ 47,847	13,564	(12,561)	\$ 48,850
Net income for the period	-	1,806	-	1,806
Distributions declared	-	-	(1,913)	(1,913)
BALANCE, March 31, 2007	\$ 47,847	15,370	(14,474)	\$ 48,743

freedman
shoes

Sterling

Joneve

SHOE
WAREHOUSE

Sterling

STERLING SHOES LIMITED PARTNERSHIP

STERLING SHOES INCOME FUND Consolidated Statement of Cash Flows (Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)	Three-month period ended Mar 31, 2007	Three-month period ended Mar 31, 2006
OPERATING ACTIVITIES		
Net Income	\$ 1,806	\$ 1,662
Items not involving cash		
Amortization of leaseholds and equipment	788	588
Amortization of deferred financing costs	0	9
Amortization of deferred lease inducements	(74)	(98)
Loss on disposal of leaseholds and equipment	0	43
Non-controlling interest	462	416
	2,982	2,620
Change in non-cash working capital balances related to operations		
Accounts receivable	(541)	(128)
Inventory	(8,794)	(5,797)
Prepaid expenses and deposits	(106)	(133)
Accounts payable and accrued liabilities	5,645	3,452
	(3,796)	(2,606)
Cash provided by operating activities	(814)	14
INVESTING ACTIVITIES		
Acquisition of leaseholds and equipment	(1,602)	(1,425)
Proceeds from disposal of assets	4	0
Lease inducements received	0	78
Cash used in investing activities	(1,599)	(1,347)
FINANCING ACTIVITIES		
Payment of distributions	(5,493)	(2,847)
Cash used in financing activities	(5,493)	(2,847)
CASH INFLOW (OUTFLOW) DURING THE PERIOD	(7,905)	(4,180)
CASH, BEGINNING OF PERIOD	2,845	3,710
CASH, END OF PERIOD	\$ (5,060)	\$ (470)
Supplemental cash flow information		
Interest paid	\$ 109	\$ 68

On October 31, 2006, the Minister of Finance announced proposed changes to tax income trusts at the rate of 31.5% on the taxable portion of distributions, effective in 2011. The proposals also specified that "undue growth" may result in immediate taxation of income trusts that would otherwise not be subject to taxation until 2011. New draft legislation in substantially the same form as the draft legislation released on December 21, 2006 was tabled in the House of Commons on March 29, 2007 under Bill C-52. The guidelines regarding normal growth released by the Department of Finance on December 15, 2006 are now incorporated by reference in the draft legislation. As such, if a particular fund exceeds "normal growth" the new tax will apply from the commencement of the taxation year in which normal growth has been exceeded. The implementation of the legislation could have an adverse effect on the Fund, its ability to pay distributions and the market value of its units.

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.



Sterling

STERLING SHOES LIMITED PARTNERSHIP

Conference Call Notification

Please note the Fund's conference call will take place at 9:00 am Pacific daylight time (12:00 pm EDT) on Tuesday, May 8, 2007. 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 May 22, 2007 at 888-509-0081.

Non-GAAP measures

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 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.

Average Invested Capital, Free Cash Flow and Return on Invested Capital are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Retailers, such as the Fund, use these measures to provide insight into the businesses ability to generate strong returns on the capital employed in the business.

"Return on Invested Capital", "Free Cash Flow" and "Average Invested Capital" are calculated as follows:

$$\begin{aligned} \text{Return on Invested Capital} &= \frac{\text{Free Cash Flow}}{\text{Average Invested Capital}} \\ \text{Free Cash Flow} &= \text{EBITDA} - \text{Maintenance Capital Expenditures} \\ \text{Average Invested Capital} &= \frac{\text{Beginning (net working capital + net property, plant \& equipment)} \\ &\quad + \text{Ending (net working capital + net property, plant \& equipment)}}{2} \end{aligned}$$

"Maintenance Capital Expenditures" is not a recognized measure under GAAP. Maintenance Capital Expenditures include those required to upgrade existing stores and to maintain information systems and equipment and our warehouse.

Sterling

STERLING SHOES LIMITED PARTNERSHIP

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 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. 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, to secure adequate labour and materials to construct the stores, to deliver sufficient inventory, to adapt its operational systems, or to hire, train and integrate employees. 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 footwear retailer offering a broad selection of private label and brand name shoes and accessories in five Canadian provinces through its five separate retail banners: Sterling, Joneve, Shoe Warehouse, Freedman's and Gia. Since 1987, Sterling Shoes has grown from five shopping mall locations to 132 stores (as at May 7, 2007) located in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. The Fund currently employs over 1,000 employees, and sales of the business for the twelve-month period ended March 31, 2007 were \$107.5 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
Chief Financial Officer
(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.

freedman
shoes

Sterling

Joneve

SHOE
WAREHOUSE