Sterling

STERLING SHOES LIMITED PARTNERSHIP

FOR IMMEDIATE RELEASE **March 26, 2008**

STERLING SHOES INCOME FUND

FUND ANNOUNCES 2007 RESULTS AND ANOTHER SPECIAL DISTRIBUTION

HIGHLIGHTS:

- **Supplementary special distribution of $0.06 per Unit raises 2007 special distribution to $0.42 per Unit.**
- **Total cash distributions for 2007 were $1.86, 73% higher than the targeted annual distribution at the time of the Fund's initial public offering in July 2005.**
- **Overall sales increased 15% during fourth quarter 2007 and 16% for the full year.**
- **Same-store sales grew 7% during fourth quarter 2007 and 6% for the full year.**
- **EBITDA increased by 18% during the year ended December 31, 2007 over 2006.**

VANCOUVER, BC, March 26, 2008 – Sterling Shoes Income Fund (TSX: SSI.UN) today reported its financial results for the quarter and year-ended December 31, 2007 and announced a supplementary special distribution.

"We are pleased to once again reward our unitholders with a supplemental special distribution" said Jeremy Horwitz, President and Chief Executive Officer of the Fund.

"The $0.06 per unit special distribution we are announcing today is in addition to the $0.36 per unit special distribution that we announced on December 17, 2007. This special distribution will allow the Fund to distribute all of its taxable income for 2007 to our unitholders. The supplementary special distribution will be payable on March 31, 2008 to unitholders of record on December 31, 2007. This brings the total special distribution for 2007 to $0.42 per Unit.

Distributions declared for 2007 (including special distributions) were $1.86 per trust unit, which is 73% higher than the targeted annual distribution of $1.075 per trust unit at the time of the Fund's initial public offering on July 12, 2005.

In 2007, we continued to focus on efforts in growing our business in terms of financial performance and market expansion. We have successfully met these objectives:

1) Strong financial results

   During fourth quarter 2007, sales increased to $36.1 million, representing an increase of 15% over the same three months in 2006 as same-store sales grew 7%. For the full year 2007, sales reached $118.8 million, an increase of 16% over 2006 including same-store sales growth of 6%.

   Gross margins as a percentage of sales increased to 56.9% in 2007 compared to 54.3% in 2006.

   This resulted in a Return on Invested Capital ("ROIC") of 37.5% during 2007. We consider ROIC to be a fundamental measure of value creation demonstrating our ability to generate strong returns on the capital employed in our business.

2) Strong new store growth in 2007

   In June 2007, we opened our first Sterling Outlet store in Calgary, Alberta. In October 2007, we opened our second Gia store in Burnaby, British Columbia. In total, we opened 17 new stores during the year: 11 stores in Ontario, one store in Alberta, one store in Manitoba, and four stores in British Columbia. We now operate 143 stores under our six separate banners across five provinces.

3) Financial capacity for future capital expenditures

   On October 3, 2007 the Fund closed an offering of $25 million of convertible unsecured subordinated debentures. About half the net proceeds were used to repay existing indebtedness with the balance intended for new store expansion projects.

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."

STERLING SHOES LIMITED PARTNERSHIP

Financial Results for the fourth quarter and year-ended December 31, 2007

During the fourth quarter of 2007, sales rose 14.9% to $36.1 million from $31.4 million a year earlier, as same-store sales increased by 7.2%. For the year-ended December 31, 2007, sales increased to $118.8 million, or 15.8% over 2006, including same-store sales growth of 5.9%.

Cost of sales as a percentage of sales for the quarter and year-ended December 31, 2007 were 42.5% and 43.1% respectively, compared to 48.7% and 45.7% for the same periods during 2006. The decrease in cost of sales in 2007 is primarily a result of procurement cost savings.

Store and selling expenses for the quarter and year-ended December 31, 2007 were 31.9% and 34.8% of sales respectively, compared to 31.8% and 33.4% for the same periods during 2006. Store and selling expenses have a fixed underlying core with a large variable component. The Fund opened 17 new stores during 2007. New stores have a higher rent profile than the average store base, which has resulted in higher occupancy charges. The Fund also employed additional resources in those stores to ensure that new staff were properly trained and that new stores opened smoothly. These start up costs coupled with some pressure on labour costs in Western Canada contributed to higher store and selling expenses.

General and administrative ("G&A") expenses for the quarter and year-ended December 31, 2007 were 7.6% and 6.7% of sales respectively, compared to 5.6% and 5.8% during the same periods in 2006. Higher G&A costs were due to increased obligations under the Fund's long-term incentive plan ("LTIP"), higher salaries and an increase of general overhead and infrastructure expenditures to keep pace with overall growth of the business.

Income before non-controlling interest for the fourth quarter of 2007 was $5.2 million, or $0.79 per unit (diluted – $0.79 per unit). Income before non-controlling interest for the year-ended December 31, 2007 was $6.7 million, or $1.01 per unit (diluted – $1.01 per unit). A non-cash charge of $7.7 million was recorded during the second quarter of 2007 to reflect a future income tax liability resulting from the Government of Canada enacting legislation to impose a tax on distributions paid by publicly traded income trust in Canada, commencing in 2011.

EBITDA during the fourth quarter of 2007 was $6.5 million, or 18.1% of sales. This represents $0.98 per unit. EBITDA during the year-ended December 31, 2007 was $18.4 million, or 15.5% of sales. This represents $2.76 per unit.

STERLING SHOES INCOME FUND **Consolidated Balance Sheets** (Expressed in thousands of dollars, except per unit and number of unit figures.)		**As at December 31, 2007**		**As at December 31, 2006**
ASSETS				
CURRENT				
Cash	$	**13,860**	$	**2,845**
Accounts receivable		**773**		**465**
Inventory		**29,034**		**18,640**
Prepaid expenses and deposits		**1,008**		**625**
		44,675		**22,575**
LEASEHOLDS AND EQUIPMENT		**16,648**		**13,283**
GOODWILL		**828**		**828**
INTANGIBLE ASSETS		**49,041**		**49,041**
	$	**111,192**	$	**85,727**
LIABILITIES AND UNITHOLDERS' EQUITY				
CURRENT				
Accounts payable and accrued liabilities	$	**18,415**	$	**13,895**
Distributions payable		**3,905**		**4,218**
		22,320		**18,113**
FUTURE INCOME TAXES		**7,724**		**-**
CONVERTIBLE DEBENTURES		**21,243**		**-**
TERM LOAN		**-**		**5,000**
DEFERRED LEASE INDUCEMENTS		**1,785**		**1,535**
NON-CONTROLLING INTEREST		**11,152**		**12,231**
UNITHOLDERS' EQUITY		**46,968**		**48,848**
	$	**111,192**	$	**85,727**

2580 Viscount Way Richmond BC Canada V6V 1N1 | TEL 604.270.6114 FAX 604.278.7751 www.sterlingshoes.com

Sterling

STERLING SHOES LIMITED PARTNERSHIP

STERLING SHOES INCOME FUND

Consolidated Statements of Income and Comprehensive Income

(Expressed in thousands of dollars, except per unit and number of unit figures.)

	Three-month period ended		Twelve-month period ended	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
	(Unaudited)	*(Unaudited)*		
SALES	$ 36,083	$ 31,415	$ 118,759	$ 102,588
COST OF SALES	15,340	15,306	51,210	46,846
GROSS MARGIN	20,743	16,109	67,549	55,742
EXPENSES				
Store and selling	11,499	10,001	41,273	34,292
General and administrative	2,729	1,767	7,923	5,913
	14,228	11,768	49,196	40,205
Income before interest, amortization and non-controlling interest	6,515	4,341	18,353	15,537
Interest expense	496	94	984	326
(Gain) Loss on disposal of leaseholds and equipment	-	75	(5)	118
Amortization of leaseholds and equipment	791	579	2,911	2,467
Amortization of deferred financing costs	-	64	-	91
INCOME BEFORE NON-CONTROLLING INTEREST AND TAXES	5,228	3,529	14,463	12,535
Future income taxes	-	-	7,724	-
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	5,228	3,529	6,739	12,535
NON-CONTROLLING INTEREST	1,075	707	1,393	2,521
NET INCOME	$ 4,152	$ 2,822	$ 5,346	$ 10,014
Basic and diluted net income per unit	$ 0.79	$ 0.53	$ 1.01	$ 1.88
Basic weighted average number of units outstanding	5,313,488	5,313,488	5,313,488	5,313,488
Diluted weighted average number of units outstanding	6,641,860	6,641,860	6,641,860	6,641,860

STERLING SHOES INCOME FUND

Consolidated Statements of Unitholders' Equity

(Expressed in thousands of dollars, except per unit and number of unit figures.)

	Fund Units	Equity component of Debentures	Cumulative earnings	Cumulative distributions	Total
Balance, July 12, 2005	$ -	-	-	-	$ -
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	-		10,014	-	**10,014**
Distributions declared	-		-	(9,024)	**(9,024)**
BALANCE, December 31, 2006	$ 47,847	-	13,563	(12,561)	$ **48,849**
Option on convertible debentures	-	2,657	-	-	**2,657**
Net income (loss) for the period	-		5,346	-	**5,346**
Distributions declared	-		-	(9,883)	**(9,883)**
BALANCE, December 31, 2007	$ 47,847	2,657	18,909	(22,444)	$ **46,968**

2580 Viscount Way Richmond BC Canada V6V 1N1 | TEL 604.270.6114 FAX 604.278.7751 www.sterlingshoes.com

Sterling

STERLING SHOES LIMITED PARTNERSHIP

STERLING SHOES INCOME FUND
Consolidated Statement of Cash Flows
(Expressed in thousands of dollars, except per unit and number of unit figures.)

	Three-month period ended		Twelve-month period ended	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
	(Unaudited)	*(Unaudited)*		
OPERATING ACTIVITIES				
Net Income	$ 4,152	$ 2,822	$ 5,346	$ 10,014
Items not involving cash				
Future income taxes	-	-	7,724	-
Amortization of leaseholds and equipment	791	579	2,911	2,467
Amortization of deferred financing costs	-	64	-	91
Accreted interest expense	131	-	131	-
Amortization of deferred lease inducements	(92)	(55)	(330)	(320)
Loss on disposal of leaseholds and equipment	-	75	-	118
Non-controlling interest	1,075	707	1,393	2,521
	6,058	4,192	17,175	14,891
Change in non-cash working capital balances related to operations				
Accounts receivable	53	30	(308)	(368)
Inventory	3,529	5,189	(10,394)	(3,302)
Prepaid expenses and deposits	(46)	152	(383)	(382)
Accounts payable and accrued liabilities	(3,404)	(2,291)	4,520	2,921
	132	3,080	(6,565)	(1,131)
Cash provided by operating activities	6,190	7,272	10,610	13,760
INVESTING ACTIVITIES				
Acquisition of leaseholds and equipment	(1,205)	(1,088)	(6,283)	(6,262)
Proceeds from disposal of assets	-	-	5	-
Lease inducements received	301	358	579	595
Cash used in investing activities	(904)	(730)	(5,699)	(5,667)
FINANCING ACTIVITIES				
Issuance of convertible debentures	25,000	-	25,000	-
Transaction costs related to convertible debentures	(1,230)	-	(1,230)	-
Capital expenditure loan	(7,932)	-	(5,000)	-
Operating loan	(4,873)	(1,525)	-	-
Payment of distributions	(2,391)	(2,172)	(12,666)	(8,958)
Cash provided by / (used in) financing activities	8,574	(3,697)	6,104	(8,958)
CASH INFLOW (OUTFLOW) DURING THE PERIOD	13,860	2,845	11,015	(865)
CASH, BEGINNING OF PERIOD	-	-	2,845	3,710
CASH, END OF PERIOD	$ 13,860	$ 2,845	$ 13,860	$ 2,845
Supplemental cash flow information				
Interest paid	$ -	$ 94	$ 357	$ 326

Conference Call Notification

Please note the Fund's conference call will take place at 11:00 am Pacific standard time (2:00 pm EST) on Thursday, March 27, 2008. The number to participate in the teleconference is Toll-free: 800-542-4238 or 416-641-6127. 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 10, 2008 using the passcode 3256513 at 800-408-3053 or 416-695-5800.

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:

$$\text{Return on Invested Capital} = \frac{\text{Free Cash Flow}}{\text{Average Invested Capital}}$$

$$\text{Free Cash Flow} = \text{EBITDA - Maintenance Capital Expenditures}$$

$$\text{Average Invested Capital} = \frac{\text{Beginning (net working capital + net property, plant \& equipment)} + \text{Ending (net working capital + net property, plant \& equipment)}}{2}$$

“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.

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 six separate retail banners: Sterling, Joneve, Shoe Warehouse, Freedman Shoes and Gia. Since 1987, Sterling Shoes has grown from five shopping mall locations to 143 stores (as at March 26, 2008) 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 year-ended December 31, 2007 were $118.8 million. The Fund's units are listed on the Toronto Stock Exchange under the symbol SSI.UN. The Fund's convertible debentures are listed on the Toronto Stock Exchange under the symbol SSI.DB.

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.