

Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

FOR IMMEDIATE RELEASE

March 19, 2009

STERLING SHOES INCOME FUND (TSX: SSI.UN)

FUND ANNOUNCES 2008 RESULTS

HIGHLIGHTS:

- Overall sales increased 17.8% to \$42.5 million during fourth quarter 2008 and 10.1% to \$130.8 million for the full year;
- Same-store sales grew 5.8% during fourth quarter 2008 and 1.8% for the full year;
- During 2008 we opened 19 stores, growing from 141 to 160 stores, an increase of 13.5%;
- Net income was \$6.5 million during fourth quarter 2008 compared to \$5.2 million (after adjusting for non-controlling interest) during the same period in 2007.

VANCOUVER, BC, March 19, 2009 – Sterling Shoes Income Fund (the “Fund”) today reported its financial results for the quarter and year ended December 31, 2008.

“We are pleased with our fourth quarter performance”, said Jeremy Horwitz, President and Chief Executive Officer. “Despite challenging economic conditions Sterling enjoyed same-store, overall sales growth, and increased profitability compared to the same period last year.”

Looking forward, in light of the continuing economic uncertainty, management is working to conserve cash through aggressive cost reductions and inventory management. In these circumstances, the Fund also believes it is prudent to reduce its cash distribution beginning with the month of March 2009 to \$0.0186 per unit, to be paid on April 15, 2009 to unitholders of record at the close of business on March 31, 2009.

“We believe this will position Sterling for sustainable long-term earnings and growth once economic conditions stabilize.”

Financial Results for the three months ended December 31, 2008

During the fourth quarter of 2008, sales rose 17.8% to \$42.5 million from \$36.1 million a year earlier.

Cost of sales as a percentage of sales for the three months ended December 31, 2008 was 44.0% compared to 42.5% for the same period during 2007. A number of factors contributed to higher cost of sales in 2008. These factors include:

- Increases in product costs, which include labour and material input costs at the factory level;
- Increases in transportation and distribution costs at local, national and international levels and warehousing costs;
- Higher than usual volume of purchases in U.S. dollars in the fourth quarter, coupled with the deterioration of the Canadian dollar during the third quarter of 2008. This was marginally offset by some forward exchange contract coverage during the fourth quarter and the valuation of the Canadian dollar compared to the U.S. dollar during the course of 2008;

These factors were offset in part by enhanced product selection and operational execution, particularly during the three months ended December 31, 2008 compared to the same period in 2007.

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Store and selling expenses for the three months ended December 31, 2008 were 31.5% of sales, compared to 31.9% for the same period during 2007. Store and selling expenses have a fixed underlying core with a large variable component, primarily consisting of expenses relating to occupancy and employee costs. The Fund opened 2 new stores during the three months ended December 31, 2008.

General and administrative (“G&A”) expenses for the three months ended December 31, 2008 were 6.2% of sales, compared to 7.6% during the same periods in 2007. Lower long-term incentive plan (“LTIP”) and bonus accruals for the three months ended December 31, 2008 were partially offset by on-going investments in the Fund’s growth initiatives and higher salary costs during the quarter.

Net income was \$6.5 million for the three months ended December 31, 2008 compared to \$5.2 million (after adjusting for non-controlling interest) during the same period in 2007.

Financial Results for the year ended December 31, 2008

Overall sales for 2008 were \$130.8 million, an increase of 10.1% over the \$118.8 million for 2007.

Cost of sales as a percentage of sales for the year ended December 31, 2008 was 49.2% compared to 43.1% in 2007. A number of the primary factors causing cost of sales to be higher in 2008 are discussed above. In addition, there was one-time \$3.3 million increase in inventory valuation at January 1, 2008 resulting from the application of a change in accounting standards. While, this change had little effect on cost of sales during the three months ended December 31, 2008, it impacted full year cost of sales. The change in our inventory valuation methodology also changed the timing of the realization of markdowns in cost of sales. This effect was also more pronounced during the first nine months of 2008 than the three months ended December 31, 2008 compared to the same periods in 2007.

Store and selling expenses for the year ended December 31, 2008 were 35.8% of sales, compared to 34.8% for 2007. The Fund opened 19 new stores during 2008. 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. Significant labour cost pressures were evident during the course of the year.

General and administrative (“G&A”) expenses for the year ended December 31, 2008 were 6.1% of sales, compared to 6.7% during 2007. Lower LTIP and bonus accruals in 2008 were partially offset by on-going investments in the Fund’s growth initiatives and higher salary costs during the year.

Net income was \$6.7 million for the year ended December 31, 2008 compared to \$6.7 million (after adjusting for non-controlling interest) in 2007.

A number of non-recurring, non-cash charges affected the comparability of the 2008 and 2007 net income figure including a one-time \$3.3 million increase in inventory valuation at January 1, 2008 (noted above), which reduced net income throughout 2008, 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. During the third quarter of 2008, \$0.7 million was reversed to reflect the revised tax rate expected to be in effect in 2011.

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STERLING SHOES INCOME FUND	As at	As at
Consolidated Balance Sheets	December	December
(Expressed in thousands of dollars, except per unit and number of unit figures.)	31, 2008	31, 2007
ASSETS		
CURRENT		
Cash	\$ -	\$ 13,860
Accounts receivable	885	773
Inventory	39,892	29,034
Prepaid expenses and deposits	484	1,008
	41,261	44,675
LEASEHOLDS AND EQUIPMENT	19,996	16,648
GOODWILL	828	828
INTANGIBLE ASSETS	49,041	49,041
	\$ 111,126	\$ 111,192
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT		
Bank indebtedness	\$ 467	\$ -
Accounts payable and accrued liabilities	14,951	18,415
Distributions payable	221	3,905
	15,639	22,320
FUTURE INCOME TAXES	7,000	7,724
TERM LOAN	5,000	-
CONVERTIBLE DEBENTURES	21,847	21,243
DEFERRED LEASE INDUCEMENTS	2,234	1,785
NON-CONTROLLING INTEREST	-	11,152
UNITHOLDERS' EQUITY	59,406	46,968
	\$ 111,126	\$ 111,192

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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, 2008 (Unaudited)	Dec 31, 2007 (Unaudited)	Dec 31, 2008	Dec 31, 2007
SALES	\$ 42,520	\$ 36,083	\$ 130,767	\$ 118,759
COST OF SALES	18,703	15,340	64,306	51,210
GROSS MARGIN	23,817	20,743	66,461	67,549
EXPENSES				
Store and selling	13,384	11,499	46,784	41,273
General and administrative	2,646	2,729	8,016	7,923
	16,030	14,228	54,800	49,196
Income before interest, amortization and non-controlling interest	7,787	6,515	11,661	18,353
Interest expense	676	496	2,322	984
Loss (Gain) on disposal of leaseholds and equipment	-	-	333	(5)
Amortization of leaseholds and equipment	658	791	3,006	2,911
INCOME BEFORE NON-CONTROLLING INTEREST AND TAXES	6,453	5,228	6,000	14,463
Future income taxes	-	-	(724)	7,724
INCOME BEFORE NON-CONTROLLING INTEREST	6,453	5,228	6,724	6,739
NON-CONTROLLING INTEREST	-	1,075	-	1,393
NET INCOME AND COMPREHENSIVE INCOME	\$ 6,453	\$ 4,152	\$ 6,724	\$ 5,346
Basic net income income per unit	\$ 0.97	\$ 0.79	\$ 1.06	\$ 1.01
Diluted net income income per unit	\$ 0.90	\$ 0.79	\$ 1.06	\$ 1.01
Basic weighted average number of units outstanding	6,641,860	5,313,488	6,328,217	5,313,488
Diluted weighted average number of units outstanding	7,823,885	6,641,860	7,510,242	6,641,860

STERLING SHOES INCOME FUND

Consolidated Statements of Unitholders' Equity

For the year ended December 31, 2008

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

	Unitholders' capital	Equity component of Debentures	Cumulative earnings	Cumulative distributions	Cumulative deficit	Unitholders' equity
BALANCE, December 31, 2007	\$ 47,847	2,657	18,909	(22,444)	(3,535)	\$ 46,969
Reclassification of Class D LP units from non-controlling interest	11,962	-	4,801	(5,611)	(810)	11,152
Re-valuation of inventory per CICA Handbook s.3031	-	-	3,306	-	3,306	3,306
Net income	-	-	6,724	-	6,724	6,724
Distributions declared	-	-	-	(8,745)	(8,745)	(8,745)
BALANCE, December 31, 2008	\$ 59,809	2,657	33,740	(36,800)	(3,060)	\$ 59,406

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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, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
	(unaudited)	(unaudited)		
OPERATING ACTIVITIES				
Net Income	\$ 6,453	\$ 4,152	\$ 6,724	\$ 5,346
Items not involving cash	-	-	-	-
Future income taxes	-	-	(724)	7,724
Amortization of leaseholds and equipment	658	791	3,006	2,911
Loss on disposal of leaseholds and equipment	-	-	333	-
Amortization of deferred lease inducements	(77)	(92)	(359)	(330)
Accreted interest expense	158	131	604	131
Non-controlling interest	-	1,075	-	1,393
Revaluation of inventory per CICA HB S3031	-	-	3,306	-
	7,192	6,058	12,890	17,175
Change in non-cash working capital balances related to operations				
Accounts receivable	(373)	53	(112)	(308)
Inventory	5,762	3,529	(10,858)	(10,394)
Prepaid expenses and deposits	316	(46)	524	(383)
Accounts payable and accrued liabilities	(8,193)	(3,404)	(3,464)	4,520
	(2,488)	132	(13,910)	(6,565)
Cash provided by / (used in) operating activities	4,704	6,190	(1,020)	10,610
INVESTING ACTIVITIES				
Acquisition of leaseholds and equipment	(1,160)	(1,205)	(6,687)	(6,283)
Proceeds from disposal of assets	-	-	-	5
Lease inducements received	676	301	809	579
Cash used in investing activities	(484)	(904)	(5,878)	(5,699)
FINANCING ACTIVITIES				
Issuance of convertible debentures	-	25,000	-	25,000
Transaction costs related to convertible debentures	-	(1,230)	-	(1,230)
Capital expenditure loan	5,000	(7,932)	5,000	(5,000)
Operating loan	(7,338)	(4,873)	467	-
Payment of distributions	(1,882)	(2,391)	(12,429)	(12,666)
Cash (used in) / provided by financing activities	(4,220)	8,574	(6,962)	6,104
CASH INFLOW OUTFLOW DURING THE PERIOD	-	13,860	(13,860)	11,015
CASH, BEGINNING OF PERIOD	-	-	13,860	2,845
CASH, END OF PERIOD	\$ -	\$ 13,860	\$ -	\$ 13,860
Supplemental cash flow information				
Interest paid	\$ 817	\$ -	\$ 1,749	\$ 357

Conference Call Notification

Please note the Fund's conference call will take place at 11:00 am Pacific standard time (2:00 pm EDT) on Friday, March 20, 2009. The number to participate in the teleconference is Toll-free: 866-542-4238 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 3, 2009 using the passcode 6284811 at 800-408-3053 or 416-695-5800.

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: general economic conditions and markets and, in particular, the

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potential impact of the current economic downturn, the cost and availability of capital, the possibility of deterioration in the Company's working capital position, the impact on the Company's liquidity if it were to go offside of the covenants in its debt facilities, our ability to maintain profitability and manage growth, risks associated with leasing and expansion, competition, inventory and sourcing risk, ability to identify and respond to changing consumer fashion preferences, risks associated with international purchasing, reliance on key personnel, dependence on consumer spending, unseasonable weather conditions, uncertainties arising from world events, intellectual property risks, foreign exchange fluctuations on imported merchandise, labour relations, seasonality and fluctuations in cash distributions, fluctuations in distributable cash based on our performance, restrictions on potential growth, future issuances of Units by the Fund or future disposition of Units held by SSI Investments Inc., income tax matters, and increases in interest rates. 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 158 stores (as at March 19, 2009 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. 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
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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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