

XS Cargo Income Fund Reports 2008 Fourth Quarter and Year End Results

EDMONTON, March 30, 2009 (TSX: XSC.UN): XS Cargo Income Fund (the “Fund”) today announced its results for the 2008 fourth quarter and year end. The Fund’s audited consolidated year end financial statements and Management’s Discussion and Analysis (“MD&A”) can be found on XS Cargo’s website at www.xscargo.com and on SEDAR at www.sedar.com.

Earnings from operations for the year ended December 31, 2008 were \$6.0 million, an increase of \$5.0 million over the previous year. Fourth quarter earnings from operations increased to \$2.15 million compared to a loss of \$1.4 million in the fourth quarter of 2007.

Annual sales declined by \$15.0 million or 12% in 2008 compared to 2007. In the fourth quarter sales declined by \$3.9 million or 9.2% compared to the same period in the prior year. Sales were impacted by management’s decision to exit certain low margin product categories including the television category which alone accounted for nearly 50% of the annual sales decline. \$3.3 million or 84.6% of the fourth quarter decline occurred in the month of December. Lower consumer confidence due to macro economic events reduced store traffic in December and aggressive discounting by competitors narrowed our normal price advantage.

The Fund had an annual 2008 net loss inclusive of a goodwill impairment of \$18.6 million compared to an annual 2007 net loss inclusive of a goodwill impairment of \$37.4 million. Excluding the goodwill impairment, the net loss for the Fund was \$208,063 for 2008 compared to \$4.0 million for 2007, a reduction of 95%.

Michael McKenna, President and Chief Executive Officer of the Fund stated, “The Fund made considerable progress in 2008 toward a return to profitability. The current economic environment presents product opportunities for XS Cargo. We’re encouraged by the increased supply of discounted merchandise from bankruptcies and cancelled orders”.

Highlights for the year:

- Earnings from operations of \$6.0 million, up by \$5.0 million from 2007.
- Gross margin percentage of 36.9% compared to 31.1% in 2007.
- Sales of \$110.1 million, down 12.0% from 2007.

Highlights for the fourth quarter:

- Earnings from operations of \$2.2 million, up by \$3.6 million from the fourth quarter 2007.
- Gross margin percentage of 30.8% compared to 24.4% for the fourth quarter of 2007.
- Fourth quarter sales of \$38.7 million, down by 9.2% from the fourth quarter of 2007.

Business of the Fund

The Fund owns a 51% indirect interest in XS Cargo LP which operates 40 closeout retail stores in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Newfoundland, Nova Scotia and New Brunswick.

Non-GAAP Measures

References to earnings from operations is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Investors are cautioned that earnings from operations should not replace net income or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance. Its cash flows from operating, investing and financing activities are a measure of its liquidity and cash flow. The Fund's method of calculating earnings from operations, may differ from the methods used by other issuers and may not be comparable to similar measures presented by other issuers.

For further information, please contact:

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