COAST WHOLESALE APPLIANCES INCOME FUND

First Quarter Report to Unitholders

Three Months ended March 31, 2007

2007 >

Coast Wholesale Appliances Income Fund

Coast Wholesale Appliances Income Fund is an unincorporated, open-ended limited purpose trust launched on June 23, 2005 with the completion of an initial public offering of 6,525,000 trust units. The Fund was created to acquire and hold a 65% indirect interest in Coast Wholesale Appliances LP (Coast). The remaining 35% interest has been retained by the previous ownership. Distributions to this retained non-controlling interest are subordinated to distributions to public unitholders for a minimum of two years from the closing of our IPO and are subject to the Fund meeting certain EBITA and cash distribution targets.

Cash distributions to unitholders, currently paid monthly to public unitholders and quarterly to the retained interest, are entirely dependent on the performance of Coast.

Coast Wholesale Appliances LP

Coast is a leading independent supplier of major household appliances to developers and builders of multi-family and single-family housing, and to retail customers in Western Canada.

Founded in 1978, Coast originally operated exclusively as a wholesale supplier to developers and builders, later broadening our focus to include the retail market. Today, our business is a blend of contract sales to developer and builder customers, and direct sales to retail customers.

The exceptional stability our business has shown over the past 29 years is due in large part to the essential nature of the major home appliances we sell. Over the past decade, our industry has also benefited from strong economic growth fundamentals, with new product innovations and an increasing focus on home décor working to drive up sales.

Coast currently operates 15 stores and four warehouse distribution centres across the four western provinces. We offer our customers the convenience of one-stop shopping for all of their major household appliance needs across more than 30 major brands.

Our business strategy has three elements. To create value for the Fund's unitholders, we plan to:

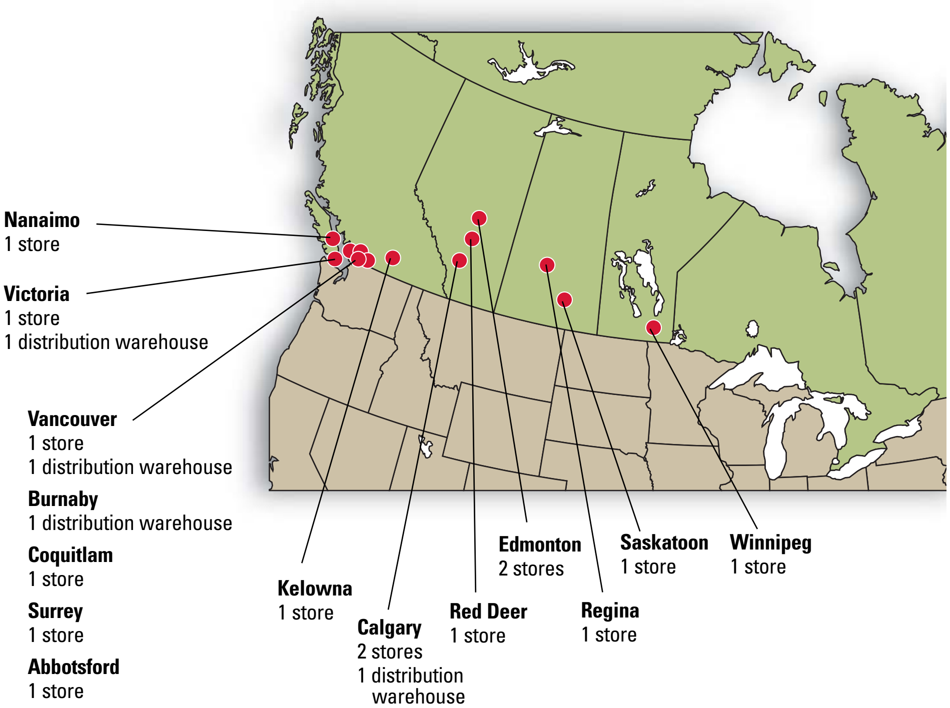
1. Enter new markets in Western Canada and explore opportunities to expand into Eastern Canada;

2. Increase sales from our existing branch locations; and

3. Continue to enhance our profitability.

15 wholesale/retail stores – designed as product showrooms

Four distribution warehouse facilities – strategically located near key branches



Performance Highlights

(in thousands of dollars except per unit amounts)	**3 months ended March 31 2007**	**3 months ended Months 31 2006**
Sales	31,161	27,717
Gross profit	7,732	6,660
Gross profit margin	24.8%	24.0%
Net income before non-controlling interest	2,014	1,843
Basic and diluted net income per unit	0.201	0.184
EBITA	2,801	2,747
EBITA margin	9.0%	9.9%
Distributable cash	2,563	2,451
Distributable cash per unit	0.26	0.24
Distribution per unit	0.30	0.30
Distribution ratio	117.4%	122.8%

- Grew revenues by 12.4% over the first quarter of 2006.
- Improved comparative store sales by 9.1% year-over-year.
- Increased gross profit margin to 24.8% from 24.0% in the first three months of 2006.
- Proceeded with strategic expansion in Alberta, opening a second Edmonton location on February 17 and a new Red Deer store on March 31.
- Continued to fully meet cash distribution commitments.

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To Our Unitholders

On behalf of the Board of Trustees of Coast Wholesale Appliances Income Fund, and all our employees across Western Canada, we are pleased to report that we have made a strong start to our 2007 fiscal year, with healthy revenue growth across our business and two new stores opening in the buoyant Alberta market.

Operating Results

In the three months ended March 31, 2007, Coast generated sales of $31.2 million, up by $3.5 million, or 12.4%, from the $27.7 million we recorded in the first quarter of 2006. This sales growth is in line with our expectations and continues to be fuelled by the strong housing market in Western Canada.

Our first quarter sales at comparable stores – locations open for more than one year – grew by $2.5 million, or 9.1%, quarter-over-quarter, increasing equally in each of the four western provinces. Incremental sales growth during the first three months of 2007 came primarily from our new Calgary store, our second location in that city, which opened in August 2006. The two additional Alberta stores launched during the quarter contributed more modestly to our sales growth.

We marked the official opening of our second Edmonton store on February 17 and our first Red Deer location on March 31, bringing our total store count to 15. These two new locations will begin to have a greater sales impact in the second quarter. We expect both to be profitable within six months of opening.

Consistent with last year, our first quarter sales through Coast's developer / builder and retail channels were approximately equal. As anticipated, the lag in contract sales to developers and builders that we experienced in British Columbia during the second half of 2006 began to show signs of catching up in the early months of 2007. We expect to realize the remainder of the delayed sales in the second and third quarters of the year.

Our cost of sales for the first quarter was $23.4 million, or 75.2% of sales, which resulted in a gross profit of $7.7 million, or 24.8% of sales. By comparison, in the first quarter of 2006, Coast's cost of sales was $21.1 million, or 76.0% of sales, providing a gross profit of $6.7 million, or 24.0% of sales. The year-over-year gross margin improvement was partially due to a slight shift in our business mix toward retail sales, which generate a higher margin than our contract business. We also continued to benefit from the new, higher-margin product lines we added to our core offerings in early 2006 to increase sales to the higher end of the multi-family sector.

EBITA for the three months ended March 31, 2007 was $2.8 million, compared to $2.7 million for the first quarter of 2006. Our EBITA margin for the current quarter of 9.0% was down from 9.9% in the same period of 2006. Removing the impact of our new stores on this year's first quarter EBITA margin, the 2007 result would equal the prior year's 9.9%.

Net income before non-controlling interest was $2.0 million, or 6.5% of sales, compared to $1.8 million, of 6.7% of sales, in the first quarter of 2006. Removing the impact of the new stores, the 2007 net income before non-controlling interest would have been 7.3% of sales.

Cash distributions

The Fund declared monthly cash distributions of $0.10 per unit for each of January, February and March 2007. By the end of the quarter, we had paid a total of 21 consecutive monthly cash distributions to our public unitholders, as well as six consecutive quarterly cash distributions to the subordinated non-controlling interest held by the previous owners of the business. As previously announced, we have declared a subsequent monthly distribution of $0.10 per unit to public unitholders for the month of April 2007.

During the first quarter, the Fund earned $2.6 million in distributable cash (before the non-controlling interest), or $0.26 per unit. This compares to $2.5 million, or $0.24 per unit, in the same period of 2006. In both quarters, we distributed and accrued for payment $3.0 million, or $0.30 per unit, to unitholders and the non-controlling interest.

Our distributable cash payout ratio varies throughout the year according to the seasonality of Coast's business. While the Fund has levelled distributions to provide a regular stream of income to unitholders, we expect that the less profitable first half of the year will be offset by historically higher earnings in the second half.

For the first quarter of 2007, our payout ratio improved to 117.4% from 122.8% in the same period of 2006. Removing the impact of the three new stores, the first quarter 2007 payout ratio would be 109.7%. On a 12-month trailing basis, the Fund's payout ratio of 93.4% compares favourably to our fiscal 2006 payout ratio of 94.3%.

Outlook

Moving through 2007, the outlook for our business remains positive, with strong demand for major household appliances fueled by continued healthy economic growth in Western Canada. We expect sustained, steady sales growth from our existing stores, as well as incremental sales gains from our new Alberta locations.

As previously announced, we are currently developing a new store to replace our original Edmonton location, targeted to open in early 2008, as well as seeking additional locations in both BC and Alberta. We are continually reviewing opportunities for expansion, both by increasing our coverage of Western Canada and by potentially entering the eastern Canadian market. We are also proceeding with initiatives to increase sales from our existing stores and enhance our profitability. In the third quarter of this year, we plan to relocate our Calgary warehouse to a newer, larger facility. Over the next 12 months, we plan to relocate three of our stores to higher-traffic areas. We are also proceeding with an upgrade of our inventory management technology, which should be substantially completed by the fourth quarter.

We continue to evaluate the potential impact of the proposed new tax on income trusts announced by the federal government on October 31, 2007. If passed into legislation, the proposed changes would result in taxation of distributions at the trust level starting in 2011. We will determine the most appropriate course of action for our Fund as more information becomes available.

We believe that our current credit facilities and ongoing cash flow from operations will be sufficient to allow Coast to meet ongoing requirements for capital expenditures, including investments in working capital and distributions.

In closing, we extend our appreciation to our employees, our suppliers and our customers for your support of our business, and to our unitholders for your continued confidence.

R. Blain Lawson
President and CEO, Coast Wholesale Appliances LP

C. Kenneth Crump
Chairman of the Board of Trustees of Coast Wholesale Appliances Income Fund
and Chairman of Coast Wholesale Appliances GP Inc.

This letter may contain forward-looking statements relating to expected future events and financial and operating results of Coast that involve risks and uncertainties. The actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons. These include market and general economic conditions and the risks and uncertainties detailed from time to time in Coast's continuous disclosure materials filed with Canadian securities regulatory authorities, including the first quarter 2007 and the year-end management's discussion and analyses filed at SEDAR (www.sedar.com). These forward-looking statements are based on assumptions that management considered reasonable at the time they were prepared. Due to the potential impact of these factors, Coast disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management's Discussion and Analysis of Financial Conditions and Operations

For the period ended March 31, 2007

This management's discussion and analysis has been prepared as of May 1, 2007. It should be read in conjunction with the Fund's unaudited interim consolidated financial statements and accompanying notes for the period ended March 31, 2007, which accompany this document, and our audited consolidated financial statements for the year ended December 31, 2006. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The Fund commenced operations on June 23, 2005 following the completion of our initial public offering of trust units. This report presents our financial results for the period from January 1, 2007 to March 31, 2007.

Forward-looking Statements

This discussion may contain forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements relate to future events or future performance and reflect our expectations regarding growth, results of operations, performance, and business prospects and opportunities. Such forward-looking statements reflect our current beliefs, are based on information currently available to the Fund and speak only as of the date of this discussion. They reflect current expectations regarding future events and operating performance, including, but not limited to: a continued strong western Canadian economy, stable interest rates and continuing strength with the issuing of new building permits. 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 indicators 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: sensitivity to general economic conditions; maintenance of profitability and management of growth; competition; extended warranty programs; changes to planning and supply chain processes; changes in consumer preferences; mix of product sales; reliance on suppliers; lack of supplier agreements; reliance on key personnel; and interest rates. The Fund cannot assure investors that actual results will be consistent with these forward-looking statements, and the Fund does not assume any obligation to update or revise these forward-looking statements to reflect new events or circumstances.

Fund Overview

The Fund is an unincorporated, open-ended, limited-purpose trust created by the Declaration of Trust made on March 24, 2005 and governed under the laws of the Province of Alberta. We commenced operations on June 23, 2005, when we completed an initial public offering of trust units and acquired a 65.03% indirect interest in a chain of major household appliance stores in British Columbia, Alberta, Saskatchewan and Manitoba from Coast Wholesale Appliances Ltd. (Coast Ltd.). The Fund holds, indirectly, 65.03% of the outstanding Class A Limited Partnership Units of Coast Wholesale Appliances LP (Coast), a limited partnership established under the laws of the Province of Manitoba and its results are entirely dependent on Coast's operating results.

Economic and Industry Factors

The economic and industry factors impacting our business are substantially unchanged from those discussed in the Fund's 2006 Annual Report, dated March 5, 2007 (available at www.sedar.com or www.coastincomefund.com).

Seasonality

While we have levelled the Fund's monthly distributions to provide a steady stream of income to unitholders, sales of our products are subject to seasonal fluctuations that follow our customers' building activities. Historically, the first quarter is our slowest, accounting for 21% to 22% of annual sales, and the third quarter is our strongest, representing 27% to 28% of sales. The second and fourth quarters are approximately equal, accounting for 25% to 26% of sales.

Selected Financial Information

The following selected financial information has been derived from Coast's unaudited consolidated financial statements for the three months ended March 31, 2007. This material should be read in conjunction with the unaudited financial statements and notes which accompany this report.

(in thousands of dollars except percentages)	Three months ended March 31 2007 $	Three months ended March 31 2006 $
Sales	31,161	27,717
Cost of sales	23,429	21,057
Gross profit	7,732	6,660
As a percentage of sales	*24.8%*	*24.0%*
Expenses (1)	4,931	3,912
EBITA (2)	2,801	2,748
As a percentage of sales	*9.0%*	*9.9%*
Interest	233	247
Amortization	554	657
Net income before non-controlling interests	2,014	1,844
As a percentage of sales	*6.5%*	*6.7%*
Non-controlling interest	704	645
Net income	1,310	1,199

Notes:

(1) Expenses include selling, general and administrative, facilities and warehousing expenses.

(2) See "Definition of EBITA, Distributable Cash and Non-GAAP Measures" below.

Operating Results

Sales

(in thousands of dollars except percentages)	Three months ended March 31 2007 $			Three months ended March 31 2006 $
	Comparable stores (1)	New stores	Total	Total
Sales	30,243	918	31,161	27,717
% increase	9.1%		12.4%	

Notes:

(1) Comparable stores are locations open for more than one year.

Sales for the quarter ended March 31, 2007 were $31.2 million, up by $3.5 million, or 12.4%, from the $27.7 million we recorded in the first quarter of 2006. At comparable stores – locations open for more than one year – sales increased by $2.5 million, or 9.1%, quarter-over-quarter. Coast's three new Alberta stores also contributed to the revenue growth, most notably the Calgary location that we opened in August 2006, our second in the city. The other two new stores – a second Edmonton store and our first Red Deer location – did not open until the latter part of the first quarter, on February 17 and March 31, respectively, and thus had only a minimal impact on revenues.

Sales through our developer/builder and retail channels were proportionately consistent with historic ratios during the first quarter. As anticipated, the lag in contract sales to builders and developers that we experienced in British Columbia during the fourth quarter of 2006 showed signs of catching up in the first quarter of 2007. Comparable store sales during the first quarter increased approximately equally across all four provinces in Coast's western Canadian marketplace.

Cost of sales and gross profit

Cost of sales for the three months ended March 31, 2007 was $23.4 million, or 75.2% of sales. This resulted in a gross profit of $7.7 million, or 24.8% of sales. For the comparable three-month period of 2006, cost of sales was $21.1 million, or 76.0% of sales, providing a gross profit of $6.7 million, or 24.0% of sales. The year-over-year increase in margin is partially due to a slight shift in our business mix to retail sales, which generate a higher margin than our contract business with developers and builders. The new higher-margin product lines we added to our core offerings in 2006 had a positive impact on our first quarter margin.

Expenses

Selling, warehouse, facility, and general and administrative expenses (SG&A) for the three months ended March 31, 2007 were $4.9 million, or 15.8% of sales. This is up by $1.0 million from the same three months of 2006, when SG&A expenses of $3.9 million equalled 14.1% of sales. The increase is mainly due to the following factors:

- New store costs of $0.4 million were incurred during the quarter with limited sales realized from the recently opened locations. These expenses accounted for almost half of the year-over-year increase in SG&A as a percentage of sales.

- First quarter general and administrative expenses, net of the new stores, were up by $0.2 million over 2006, due in part to increased administrative staff and wages, and costs related to the recruitment of our new CEO. We also experienced a year-over-year change in our bad debt allowance as a result of bad debt recoveries experienced in 2006, which were not repeated in 2007.
- Facility costs, net of the new stores, increased by $0.1 million in 2007 as a result of expenses related to the relocation of our Burnaby warehouse to a new, larger facility and an increase to the lease rate for our existing Edmonton store.
- Although sales expenses as a percentage of sales are in line with revenue, we increased our marketing expenditures by approximately $0.1 million over the same quarter of 2006.

EBITA

EBITA and EBITA margin are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP (see "Definition of EBITA, Distributable Cash and Non-GAAP Measures" below).

A reconciliation of Net Income to EBITA is as follows:

(in thousands of dollars except percentages)	Three months ended March 31 2007 $	Three months ended March 31 2006 $
Net income	1,310	1,199
Non-controlling interest	704	645
Interest	233	247
Amortization	554	657
EBITA (1)	2,801	2,748
EBITA margin(1)	*9.0%*	*9.9%*

Notes:

(1) See "Definition of EBITA, Distributable Cash and Non-GAAP Measures".

EBITA for the three months ended March 31, 2007 was $2.8 million, compared to $2.7 million for the first quarter of 2006. Our first quarter 2007 EBITA margin of 9.0% was down from 9.9% in the same period of 2006. Removing the impact of our new stores, our EBITA margin for the first quarter of 2007 would equal the 9.9% generated in the prior year.

Amortization

Amortization for the three months ended March 31, 2007 was $0.6 million, compared to $0.7 million in the same period in 2006. The difference is mainly due to the completion in 2006 of the amortization of the intangible asset value attributed to the customer sales backlog on acquisition of the business. This was offset by the amortization of costs related to our new stores.

Net income before non-controlling interest

Net income before non-controlling interest for the three months ended March 31, 2007 was $2.0 million, compared to $1.8 million in the first quarter of 2006.

As a percentage of sales, net income before non-controlling interest was 6.5% for the quarter, down from 6.7% in the first three months of 2006. Removing the impact of the new stores would bring the 2007 result to 7.3% of sales.

Summary of Quarterly Results

(in thousands of dollars except percentages and per-unit figures)	2007	2006				2005		
For the quarters ended:	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Sales	31,161	32,762	34,674	30,802	27,717	30,825	32,239	3,565
Gross profit	7,732	8,570	8,716	7,709	6,660	8,597	7,584	865
Gross profit percentage	*24.8%*	*26.2%*	*25.1%*	*25.0%*	*24.0%*	*27.9%*	*23.5%*	*24.3%*
Net income before non-controlling interest	2,014	2,835	3,379	2,317	1,844	2,896	2,982	424
Net income	1,310	1,844	2,197	1,507	1,199	1,883	1,939	276
Basic and diluted net income per unit	0.201	0.283	0.337	0.231	0.184	0.289	0.297	0.042
Distributions per unit	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.023

Liquidity and Capital Resources

Cash flow from operating activities

Cash flow from operating activities for the three months ended March 31, 2007 was $6.5 million, compared to $3.9 million in the first quarter of 2006. The increase in cash flow in 2007 is mainly attributable to the increase in our accounts payable and accrued liabilities as a result of the timing of our payments to our major suppliers.

Capital expenditures

(in thousands of dollars)	Three months ended March 31 2007 $	Three months ended March 31 2006 $
Total capital expenditures	248	61
Less tenant inducements	147	–
	101	61
Less:		
Growth capital expenditures on new stores net of inducements	96	–
Inventory computer project funded separately	–	11
	96	11
Maintenance capital expenditures (1)	5	50

(1) See "Definition of EBITA, Distributable Cash and Non-GAAP Measures".

Capital expenditures during the first quarter of 2007 related primarily to the completion of our new Edmonton store and the set-up of our new Red Deer store. Other capital expenditures during the quarter were minimal. Tenant inducements also related to the two new stores and reduced our overall costs for these projects.

Maintenance capital is not a recognized measure under GAAP and does not have standardized meanings prescribed by GAAP (see "Definition of EBITA, Distributable Cash and Non-GAAP Measures" below). We consider maintenance capital expenditures to include leasehold improvements for existing locations, furniture and fixture purchases, and computer hardware and software expenditures. Growth capital expenditures are capital costs related to opening new locations.

The upgrading of Coast's inventory management technology is being funded by cash set aside from the purchase agreement with Coast Ltd. owner of the predecessor business. Net funds of $0.511 million advanced by Coast Ltd. to the Fund have been earmarked for completion of this project. As the inventory management upgrade has been separately funded, we will not treat it as a maintenance capital expenditure in 2007. No capital expenditures were charged to the project during the first quarter.

We anticipate that maintenance capital expenditures for fiscal 2007 will total approximately $0.7 million. The majority of this amount relates to the relocation of two of our existing stores. Our annual maintenance capital expenditures will increase somewhat as we increase our store count in the future.

Distributions to unitholders

The Fund makes monthly distributions to unitholders of record on the last business day of each month, payable on or about the 15th of the following month. For the three months ended March 31, 2007, distributions were $0.30 per unit, totalling $2.0 million. These equalled the distributions made in the same period of 2006. Distributions have remained consistent at $0.10 per unit per month since the Fund's inception, totalling $13.2 million for the period from June 23, 2005 to March 31, 2007. In addition, distributions to the non-controlling interest have been paid in full during this period, totalling $6.4 million. The accrued distributions payable to unitholders and the non-controlling interest at March 31, 2007 were paid April 16, 2007.

Of the distributions paid in 2006, 69% represented taxable income to the unitholders and 31% a return of capital, which reduces the adjusted cost base of the units. We expect a split of approximately 88% income and 12% return of capital for the 2007 distributions.

Period	Record date	Payment date	Per unit	Amount
January 2007	January 31, 2007	February 15, 2007	$0.10	$652,500
February 2007	February 28, 2007	March 15, 2007	0.10	652,500
March 2007	March 30, 2007	April 16, 2007	0.10	652,500
			$0.30	$1,957,500

Distributable cash

Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP (see "Definition of EBITA, Distributable Cash and Non-GAAP Measures" below). We consider distributable cash to be our net income before non-controlling interest and amortization, less maintenance capital expenditures.

Our distributable cash payout ratio varies throughout the year according to the seasonality of Coast's business. While the Fund has levelled distributions to provide a regular stream of income to unitholders, we expect that the less profitable first half of the year will be offset by historically higher earnings in the second half.

(in thousands of dollars except percentages and per unit amounts)	Three months ended March 31 2007 $	Three months ended March 31 2006 $
Net income	1,310	1,199
Non-controlling interest	704	645
Amortization	554	657
Maintenance capital expenditures	(5)	(50)
Distributable cash (1)	2,563	2,451
Distributions to unitholders & non-controlling interest	3,010	3,010
Distributable cash per unitholder	0.26	0.24
Distributions per unitholders	0.30	0.30
Payout ratio	*117.4%*	*122.8%*

(1) See "Definition of EBITA, Distributable Cash and Non-GAAP Measures".

For the first quarter of 2007, our payout ratio improved to 117.4% from 122.8% for the same period of 2006. If we remove the impact of the three new stores, our first quarter 2007 payout ratio would be 109.7%. On a 12-month trailing basis, our payout ratio of 93.4% compares favourably to our fiscal 2006 payout ratio of 94.3%.

Contractual obligations and commitments

Payments due by period as at March 31, 2007

(in thousands of dollars)	Operating leases $	Term loan $
Less than one year	2,432	–
One to three years	4,595	20,000
Four to five years	1,922	–
After 5 years	2,171	–
	11,120	20,000

Coast has borrowed $20 million under the three-year committed-interest only non-revolving term loan that was made available for the financing of capital assets and working capital as part of the acquisition of Coast Ltd. Advances under the agreement bear interest at the banker's acceptance rate plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes and amortization, calculated on a quarterly basis. Coast entered into an interest-rate swap transaction on July 28, 2005 to fix the effective rate of interest on the term loan until June 23, 2008 at 3.55% plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes and amortization, calculated on a quarterly basis. The term loan is secured by a general security agreement covering all assets of Coast, subject to the security provided to a major supplier (see note 5(c) of the financial statements). No principal repayments are required during the term of the loan.

Operating leases are in place for all premises. Total basic rent for the three months ended March 31, 2007 was $0.7 million.

Working capital

(in thousands of dollars)	March 31 2007 $	December 31 2006 $
Working capital	17,926	18,451
Total assets	127,849	127,460
Term loan	20,000	20,000

Working capital at March 31, 2007 of $17.9 million was down by $0.6 million from the $18.5 reported at December 31, 2006 and unchanged from the Fund's working capital at March 31, 2006. The decrease at March 31, 2007 as compared to December 31, 2006 is due to the seasonality of our business. During our softer first quarter, we maintain our distribution level (as discussed above), which results in a reduction of working capital. We expect this to reverse in our historically stronger second half of the year. In the fourth quarter of 2006, we allocated our deferred warranty revenue as either current or non-current, based on our amortization schedules for this revenue. For comparative purposes, we reclassified the amounts for the prior period.

In addition to working capital, we have available a $10 million, three-year committed revolving loan. This operating loan may be used for working capital requirements and general corporate purposes. Advances under the loan bear interest at the lender's prime rate plus 0% to 0.25%, or at the banker's acceptance rate plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes and amortization, calculated on a quarterly basis. The operating loan is secured by a general security agreement covering all assets of Coast, subject to the security provided to a major supplier (see note 5(c) of the financial statements). The operating loan was nil at March 31, 2007 and was utilized approximately 60% of the time during the quarter, which is consistent with the first quarter of 2006. The operating loan was used to fund short-term working capital requirements.

Our principal source of liquidity is cash provided by operations and the above noted credit facilities. We believe that such sources of liquidity will be sufficient to fund future working capital requirements, capital expenditures and our planned growth.

Total assets

Total assets at March 31, 2007 were $127.8 million, compared to total assets at December 31, 2006 of $127.5 million. The difference is mainly due to an increase in inventory of approximately $0.4 million and a decrease in accounts receivable of approximately $0.6 million, offset by asset acquisitions net of amortization.

Since our 2006 year-end, our cash position has improved to $0.8 million from cheques issued in excess of funds on deposit of $2.6 million. This compares to a cash position of $0.1 million as at March 31, 2006.

Accounts receivable at March 31, 2007 were $13.1 million. This compares to accounts receivable of $13.7 million at December 31, 2006. As charted below, the first quarter 2007 trade accounts receivable increased over the 2006 year-end total by $1.1 million. This is due to the strong sales volume we experienced in March 2007. Supplier rebates and other receivables declined by $1.7 million due mainly to the collection of supplier year-end rebates during the first three months of the year.

(in thousands of dollars)	March 31 2007 $	December 31 2006 $
Accounts receivable - trade	11,476	10,412
Supplier rebates and other	1,594	3,303
	13,070	13,715

Inventory at March 31, 2007 was $20.0 million, compared to $19.6 million at December 31, 2006 and $18.5 million at March 31, 2006. The $1.5 million year-over-year increase equals the total value of inventory added for our three new stores, with the $0.4 million difference in inventory from the 2006 year-end and March 31, 2007 reflecting the first quarter opening of the new Edmonton and Red Deer stores. Although our addition of new higher-end product lines has put upward pressure on inventories, we have reduced certain other inventories to keep the total in line.

Total liabilities

Total liabilities at March 31, 2007 were $69.7 million, compared to total liabilities at December 31, 2006 of $68.7 million. The $1.0 million first quarter increase was mainly due to a $3.3 million increase in accounts payable, offset by a $2.6 million decrease in cheques issued in excess of funds on deposit.

Accounts payable and accrued liabilities at March 31, 2007 were $10.0 million, compared to $6.7 million at December 31, 2006. This change is a result of timing of certain payments and is reflected in the improved cash position noted above.

Customer deposits at March 31, 2007 were $3.9 million, compared to $3.4 million at December 31, 2006. The increase over year-end reflects the continuing strength of our business.

Total deferred warranty revenue (combined current and long term) at March 31, 2007 and December 31, 2006 was consistent at $2.2 million.

Deferred lease inducements in the amount of $0.6 million at March 31, 2007 were received in accordance with leases for our new stores. These amounts are amortized over the terms of the leases.

Long-term incentive plan

The Fund adopted a form of long-term incentive plan (“LTIP”) in the first quarter of 2007. Under the terms of the LTIP, 10% to 20% of distributable cash in excess of an established threshold is paid to the plan trustee to purchase units of the Fund for the participants. The cost is accrued in the period when distributable cash exceeds the thresholds established for the LTIP and amortized to expenses over the vesting period of the applicable participant award. Benefits forfeited under the plan are returned to the Fund.

As at March 31, 2007, the Fund has no liability or expenses recorded in respect of the LTIP.

Financial Instruments

Financial instruments of Coast consist of cash and cash equivalents, accounts receivable, accounts payable, customer deposits, our term loan and accrued distributions payable to unitholders. The fair value of these instruments is considered to approximate their carrying value due to their short-term maturities, variable rates of interest or ability of prompt liquidation, except as noted in our unaudited financial statements. These financial instruments are subject to credit risk, currency risk and concentration risk, as described in the unaudited financial statements presented elsewhere in this report.

To fix the interest rate on our $20 million term loan, a hedging strategy was established and a hedge was executed on July 28, 2005. This interest rate swap transaction fixed the effective rate of interest on the term loan at 3.55% plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes and amortization, calculated on a quarterly basis, until June 23, 2008. The fair value of the hedge as at March 31, 2007 and March 31, 2006 was $0.2 million. The adoption of the new accounting standards relating to financial instruments is discussed below. The terms of the hedge match the timing of the derivative hedge exactly with the terms of the loan. As a result, there was no gain or loss in the first quarter of 2007, and no impact on our financial statements for the period.

Off Balance Sheet Arrangements

Coast has not entered into any off balance sheet arrangements

Critical Accounting Policies and Estimates

We have prepared our unaudited financial statements in conformity with Canadian GAAP, which requires us to make estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances, and evaluate our estimates on an ongoing basis.

The significant accounting policies of Coast are described in note 2 of the Fund's 2006 year-end audited financial statements. The policies that we believe are the most critical in aiding a full understanding and evaluation of our reported financial results are as follows:

Adoption of new accounting standards

On January 1, 2007, the Fund adopted the CICA new financial instruments accounting framework relating to Comprehensive Income, Financial Instruments and Hedges. Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. For derivatives that qualify as hedging instruments, unrealized gains or losses are included either in other comprehensive income or in earnings, depending on whether it is a "cash flow hedge" or a "fair value hedge". The Fund has an interest-rate swap agreement fixing the interest rate on the term loan discussed above. The terms of the hedge match the timing of the derivative hedge exactly with the terms of the loan. As a result, there was no gain or loss in the first quarter and the adoption of these new accounting standards had no impact on the period's operating results.

Revenue recognition

Coast recognizes revenue from the sale of products when a sales arrangement is entered into, the sales price is fixed and determinable, the products are shipped and collection is reasonably assured.

Cash received in advance of the product being shipped is recorded as customer deposits.

Product warranties are provided on certain products pursuant to warranty contracts. These warranty contracts are in addition to those provided by the manufacturers of the products. The revenue received from the warranty contracts is initially recorded as deferred warranty revenue and is taken into income over the life of the warranty contracts. Sales commissions related to the deferred warranties are deferred and amortized to expense over the life of the warranty contracts. The costs associated with delivering the related warranty services are expensed as they are incurred during the life of the contracts.

Valuation of goodwill

Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. The Fund compares goodwill to the fair value of the reporting unit to which the goodwill relates. Any impairment is charged to operations in the amount by which the carrying amount of the assets exceeds the fair value of the goodwill. Coast's goodwill was evaluated as at December 31, 2006. No adjustment for impairment was required.

Valuation of long-lived assets

We review long-lived assets and certain identified recorded intangibles for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the future undiscounted cash flows from the asset's expected use and eventual disposition. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets designated for disposal are valued at the lower of the carrying amount and the fair value, less costs to sell. Coast's long-lived assets and certain identified recorded intangibles were evaluated as at December 31, 2006. No adjustments for impairment were required.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value using the first-in, first-out method. Coast assesses net realizable value of inventory at each reporting period based on sales patterns of inventory, expected selling prices and the level of inventory on hand. Incentives received from suppliers and any provisions are accounted for as a reduction in the related inventory and cost of sales.

Income taxes

As we allocate all of our taxable income and taxable capital gains to unitholders, the Fund is not subject to income taxes.

As at March 31, 2007, we had an unused tax shield of approximately $47 million. These amounts arose in the acquisition of the business from Coast Ltd. in June 2005 and can be utilized to reduce the Fund's taxable income at the rate of approximately $4 million per year going forward. They impact the split in our distributions between income and return of capital discussed above under "Distributions to unitholders".

On October 31, 2006, the federal government announced proposed changes to the way income trusts will be taxed. Under these changes, beginning in 2011, distributions that are currently paid out and taxed in the hands of unitholders would first be taxed at the trust level at a rate of 31.5%. The net amount would then be paid out to unitholders, where it would be taxed as taxable dividends paid by a Canadian corporation. 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. These proposals have been incorporated into the draft legislation, which was tabled in the House of Commons on March 29, 2007 and is now in its second reading stage. Until such time that these changes and any resultant regulations are finalized, we will continue to analyze the potential impact of the government's proposal on the Fund.

Related Party Transactions

We lease six store locations (Vancouver, Kelowna, Langley, Coquitlam, Victoria and Calgary) and three of our four warehouses (located in Vancouver, Victoria and Calgary) from a company affiliated with Coast Ltd., the former owner of the business. For the three-month period ended March 31, 2007 our lease payments for these facilities was $0.4 million. Each of the leases was modified as part of our initial public offering to provide for a term of five years from June 23, 2005, with two consecutive five-year options that enable us to renew at the greater of the existing rent or the fair market rent at the time of the renewal.

Disclosure controls and procedures

As at March 31, 2007, an evaluation was carried out for the effectiveness of the Fund's disclosure controls and procedures as defined in Multilateral Instrument 52-109. Based on that evaluation, we concluded that the design and operation of these disclosure controls and procedures were effective.

Management of the Fund is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There have been no changes in internal control over financial reporting during the period ended March 31, 2007 that have materially effected, or are reasonably likely to materially effect, the Fund's internal control over financial reporting.

Outlook

As we announced in our press release dated April 18, 2007, we scheduled our twenty-second consecutive distribution for May 15, 2007. An amount of $0.10 per unit will be paid to public unitholders of record as at April 30, 2007.

As we continue through 2007, the outlook for our business remains positive. The market for major household appliances remains strong in Western Canada, with continued healthy economic growth and in-migration to Alberta. In BC, we are seeing growth in our contract business as many of the delayed construction projects from 2006 move toward completion in the second and third quarters of 2007.

We opened our second Edmonton store in February 2007 and our new Red Deer store opened at the end of March 2007. These two additional locations will bring the total number of Coast stores from 13 to 15, five of them in the robust Alberta market. We expect to continue to see organic growth from our existing stores, as well as incremental sales gains from the new stores. We anticipate that the new locations will be profitable within six months of opening.

We are continually reviewing opportunities for expansion, both by increasing our coverage of Western Canada and by potentially entering the eastern Canadian market. We are also proceeding with a number of initiatives to increase sales from our existing stores and enhance our profitability. Since 2004, all but three of our original 12 stores have been either extensively renovated or relocated to new facilities in higher-traffic areas. The remaining three are scheduled for relocation over the next 12 months. In addition, in the third quarter of this year, we will be relocating our Calgary warehouse to a newer and larger facility. Situated in the same area as our current warehouse, the new facility will provide the additional space required to accommodate our continued growth in Alberta. Finally, we are proceeding with our inventory management upgrade project. The new system is currently undergoing testing with phased implementation starting in the second quarter. We expect to substantially complete the project by the fourth quarter.

We believe that our current credit facilities and ongoing cash flow from operations will be sufficient to allow Coast to meet ongoing requirements for capital expenditures, including investments in working capital and distributions. However, Coast's and the Fund's needs may change and, in such event, our ability to satisfy our obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond Coast's and the Fund's control.

Risks and Uncertainties

The Fund is subject to a number of risks in addition to the normal business risks associated with supply companies operating within the major home appliances segment in Canada. Demand for Coast's products is particularly sensitive to the health of the economy in Canada as a whole, and especially in Coast's western Canadian marketplace. A number of factors could have a material effect on the financial performance of Coast and the Fund, including but are not limited to:

- general economic conditions in Canada, particularly in Western Canada, along with interest rates and their impact on the housing market both new construction and renovation work;
- any significant change in competition from one or more competitors in Western Canada, as well as competition directly from suppliers;
- changes in the financial health of suppliers, changes in the quality of products sourced from suppliers, as well as changes in the ability of our suppliers to meet our supply requirements on a timely basis;
- changes to our product distribution processes, which may impact our ability both receive and deliver our products on a timely basis;
- changes to the credit worthiness of our developer / builder contract customers, which may impact their ability to meet their obligations on a timely basis;
- changes in labour relations or key personnel;
- demands on our extended warranty programs, which may cause costs to increase beyond historical patterns;
- changes in tax legislation;
- and other factors as described under "Forward-looking Statements".

Definition of EBITA, Distributable Cash and Non-GAAP Measures

References to "EBITA" are to earnings before non controlling interest, interest, taxes and amortization. The term "EBITA margin" refers to the percentage that EBITA represents in relation to sales.

As generally accepted by Canadian income funds, we view distributable cash as an operating performance measure. We consider distributable cash to be our net income before non-controlling interest and amortization, less maintenance capital expenditures. We distribute substantially all of our cash on an ongoing basis (after providing for certain amounts disclosed in our June 15, 2005 prospectus).

We consider maintenance capital expenditures to include leasehold improvements for existing locations, furniture and fixture purchases, and computer hardware and software expenditures. Growth capital expenditures are capital costs related to opening new locations. Since many investors use EBITA to compare issuers on the basis of the ability to generate cash from operations, we believe that, in addition to net income or loss and statements of cash flow, EBITA is a useful supplemental measure from which to make adjustments to determine distributable cash. EBITA and distributable cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITA and distributable cash may not be comparable to similar measures presented by other entities. Readers are cautioned that EBITA and distributable cash should not be construed as alternatives to net income or loss determined in accordance with GAAP as indicators of the performance of the Fund or our operating business. Similarly, these should not be seen as alternatives to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. We have used net income before non-controlling interest as the starting point for our determination of EBITA. For a reconciliation of EBITA to net income presented in accordance with GAAP, see "Selected Financial Information" above.

Additional Information

Additional information relating the Fund, including the Fund's Annual Information Form and other public filings, are available on SEDAR (www.sedar.com) and on the Fund's website at www.coastincomefund.com.

The accompanying unaudited interim financial statements of the Fund have been prepared by and are the responsibility of the Fund's management. The Fund's independent auditor has not audited nor performed a review of these interim financial statements.

Interim Consolidated Balance Sheet

(Unaudited)

	March 31 2007 $	December 31 2006 $
Assets		
Current assets		
Cash	804,611	–
Accounts receivable	13,069,745	13,715,467
Inventory	20,005,351	19,566,438
Prepaid expenses	414,765	318,134
	34,294,472	33,600,039
Leaseholds and equipment (Note 4)	4,047,044	4,032,267
Deferred financing costs	79,489	95,674
Intangible assets (Note 5)	17,346,006	17,650,002
Goodwill	72,081,521	72,081,521
	127,848,532	127,459,503
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	–	2,623,396
Accounts payable and accrued liabilities	9,996,247	6,735,328
Accrued distributions payable to Unitholders	652,500	652,500
Accrued distributions payable to non-controlling interests	1,052,750	1,052,750
Customer deposits	3,949,791	3,381,411
Current portion of deferred warranty revenue	716,763	703,784
	16,368,051	15,149,169
Term loan (Note 6(b))	20,000,000	20,000,000
Long-term portion of deferred warranty revenue	1,515,578	1,488,162
Deferred lease inducements	567,385	428,780
Non-controlling interest (Note 7)	31,261,848	31,610,171
	69,712,862	68,676,282
Unitholders' equity	58,135,670	58,783,221
	127,848,532	127,459,503

Commitments (Note 9)

Contingency (Note 14)

Approved on behalf of the Trustees

C. Kenneth Crump
Trustee

Ian F. Thomas
Trustee

See accompanying notes to the unaudited interim consolidated financial statements

Interim Consolidated Statement of Income

(Unaudited)

	3 months ended March 31 2007 $	3 months ended March 31 2006 $
Sales	31,161,225	27,716,915
Cost of sales	23,429,510	21,056,931
Gross profit	7,731,715	6,659,984
Expenses		
Selling	2,325,174	1,926,520
General and administrative	1,194,586	846,080
Facilities	979,526	725,643
Warehousing	431,171	414,055
Amortization:		
Leasholds and equipment	233,542	126,140
Deferred financing costs	16,185	16,185
Intangible assets	303,996	514,329
Interest	233,159	247,263
	5,717,339	4,816,215
Income before non-controlling interest	2,014,376	1,843,769
Non-controlling interest (Note 7)	704,427	644,766
Net income	1,309,949	1,199,003
Basic and diluted net income per unit	0.2008	0.1838
Basic weighted average number of Units outstanding	6,525,000	6,525,000
Diluted weighted average number of units outstanding	10,034,166	10,034,166

See accompanying notes to the unaudited interim consolidated financial statements

Interim Consolidated Statement of Unitholders' Equity

(Unaudited)

For the three month period ended March 31, 2007

	Fund units $	Cumulative earnings $	Cumulative distributions $	Total $
Balance, December 31, 2006	59,835,000	10,845,254	(11,897,033)	58,783,221
Net income		1,309,949		1,309,949
Distributions			(1,957,500)	(1,957,500)
Balance, March 31, 2007	59,835,000	12,155,203	(13,854,533)	58,135,670

See accompanying notes to the unaudited interim consolidated financial statements

Interim Consolidated Statement of Cash Flows

(Unaudited)

	3 months ended March 31 2007 $	3 months ended March 31 2006 $
Operating activities		
Net income	1,309,949	1,199,003
Items not involving cash		
Amortization	553,723	656,654
Non-controlling interest	704,427	644,766
Amortization of leasehold inducements	(8,483)	–
	2,559,616	2,500,423
Change in non-cash working capital, net (Note 12)	3,979,872	1,353,409
	6,539,488	3,853,832
Investing activities		
Purchase of leaseholds and equipment	(248,319)	(61,389)
Deferred lease inducements	147,088	–
	(101,231)	(61,389)
Financing activities		
Distributions paid to unitholders	(1,957,500)	(1,957,500)
Distributions paid to non-controlling interest	(1,052,750)	(1,052,750)
	(3,010,250)	(3,010,250)
Net cash inflow	3,428,007	782,193
Cheques issues in excess of funds on deposit, beginning of period	(2,623,396)	(644,525)
Cash, end of period	804,611	137,668
Supplemental cash flow information:		
Interest paid	233,159	247,263

See accompanying notes to the unaudited interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Basis of Presentation

(a) Operations

Coast Wholesale Appliances Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust created by the Declaration of Trust made on March 24, 2005 and governed under the laws of the Province of Alberta. The Fund holds a 65.03% indirect interest in a chain of major household appliance stores in British Columbia, Alberta, Saskatchewan and Manitoba.

(b) Basis of presentation

These unaudited interim consolidated financial statements include the accounts of the Fund and its 65.03% indirect interest in Coast Wholesale Appliances LP. (Coast). All material inter-company transactions have been eliminated upon consolidation.

(c) Income taxes

As the Fund allocates all of its taxable income and taxable capital gains to Unitholders, the Fund itself is not subject to income taxes.

2. Significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with Canadian GAAP have been condensed or omitted and accordingly, these financial statements should be read in conjunction with the Fund's audited financial statements for the year ended December 31, 2006. The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Interim results are not necessarily indicative of the results expected for the fiscal year.

3. Adoption of new accounting standard

On January 1, 2007, the Fund adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. For derivatives that qualify as hedging instruments, unrealized gains or losses are included either in other comprehensive income or in earnings, depending on whether it is a "cash flow hedge" or a "fair value hedge". For derivatives that do not qualify as hedging instruments, unrealized gains or losses are reported in earnings. The Fund has an interest-rate swap agreement fixing the interest rate on its term loan (note 6(b)). The terms of the hedge match the timing of the derivative hedge exactly with the terms of the loan, resulting in no gain or loss in the period and thus had no impact on the current quarter financial statements.

4. Leaseholds and equipment

			March 31 2007	December 31 2006
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Leasehold improvements	2,566,307	472,782	2,093,525	1,961,675
Service vehicles	444,051	43,949	400,102	407,503
Furniture and fixtures	259,287	26,184	233,103	231,163
Equipment	455,212	61,825	393,387	392,448
Computer hardware and software	1,477,628	550,701	926,927	1,039,478
	5,202,485	1,155,441	4,047,044	4,032,267

5. Intangible assets

			March 31 2007	December 31 2006
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Coast brand name	3,369,000	–	3,369,000	3,369,000
Supplier relationships	3,129,000	554,528	2,574,472	2,652,697
Customer relationships - builders/developers	10,060,000	1,188,573	8,871,427	9,039,094
Customer relationships - property managers	1,900,000	224,491	1,675,509	1,707,177
Retail customer list	478,000	84,705	393,295	405,244
Favourable leases	565,000	102,697	462,303	476,790
	19,501,000	2,154,994	17,346,006	17,650,002

6. Credit facilities

	March 31 2007 $	December 31 2006 $
(a) Operating Loan		
Coast has available a $10,000,000 3-year revolving loan (the "Operating Loan") for working capital requirements and for general corporate purposes. Advances under the agreement bear interest at the lender's prime rate plus 0% to 0.25% or at the banker's acceptance rate plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes and amortization, calculated on a quarterly basis. The Operating Loan is secured by a general security agreement covering all assets of Coast, subject to the security provided to a major supplier as noted in Note 7(c) below.	–	–
(b) Term Loan		
Coast has a $20,000,000 3-year non-revolving loan (the "Term Loan") due June 23, 2008. The Term Loan was made available for the financing of leaseholds and equipment and working capital as part of the Acquisition. Advances under the agreement bear interest at the banker's acceptance rate plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes, and amortization, calculated on a quarterly basis. As a part of Coast's hedging strategy, on July 28, 2005 Coast entered into an interest-rate swap transaction to fix the effective rate of interest on the Term Loan until June 23, 2008 at 3.55% plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes and amortization, calculated on a quarterly basis. The Term Loan is secured by a general security agreement covering all assets of Coast, subject to the security provided to a major supplier as noted in Note 7(c) below. Payments are monthly for interest only.	20,000,000	20,000,000
	20,000,000	20,000,000

(c) Third party security interest

Accounts payable net of rebates receivable due to a major supplier are secured by inventory on hand that was acquired from the supplier, which totaled $1,651,330 as at March 31, 2007 ($35,864 as at December 31, 2006).

7. Non-controlling interest

(a) Coast Exchangeable Units (the "Exchangeable Units")

	March 31 2007 $
Retained interest - December 31, 2006	31,610,171
Interest in earnings	704,427
Distributions to non-controlling interest	(1,052,750)
Retained interest, end of period	31,261,848

Coast Wholesale Appliances Ltd. (Coast Ltd.), the former owner of the business, has retained a 34.97% interest in Coast through ownership of 100% of the Exchangeable Units.

7. Non-controlling interest (continued)

The Class A LP Units and the Exchangeable Units (collectively, the "Coast Partnership Units") have economic and voting rights that are equivalent in all material respects, except that distributions on the Exchangeable Units are subject to the subordination arrangements described below until the date (the "Subordination End Date") on which:

- the Subordination Period EBITA (see below) of the Fund for the 12 month period ending on the last day of the month immediately preceding such date is at least $13.717 million (the "EBITA Target); and
- cumulative cash distributions of at least $2.40 per Unit have been paid on the Units and cumulative cash advances or distributions of at least $2.40 per Exchangeable Unit have been paid on the Exchangeable Units (as adjusted for issuances, repurchases and redemptions of Units and Partnership Units subsequent to the closing of the Offering) for the 24 month period ending on the last day of the month immediately preceding such date (the "Distribution Target").

Subordination Period EBITA means Net Income (Subordination) of the Fund for such period plus the sum of all amounts deducted in arriving at such Net Income (Subordination) in respect of: (i) interest expense for such period; (ii) income taxes and future income tax expense or recovery for such period as determined in accordance with GAAP; (iii) amortization of fixed and intangible assets for such period; (iv) any charges to Net Income (Subordination) during such period which are non-cash charges or non-recurring expenses arising from the rationalization of the Fund's or its subsidiaries' facilities, product lines or personnel; (v) non-cash charges in respect of foreign currency adjustments and goodwill impairment; and (vi) non-controlling interests.

Generally, distributions on the Exchangeable Units will be subordinated and will be made quarterly on a prorated basis to the amount distributed on the Class A LP Units during such fiscal quarter, only after the distributions have been made on the Class A LP Units and to the extent that cash is available to make such distributions.

After the Subordination End Date, the holders of the Exchangeable Units will be entitled to effectively exchange all or a portion of their Exchangeable Units for up to 3,509,167 Units of the Fund, representing 34.97% of the issued and outstanding Units of the Fund on a fully diluted basis. In the event that the Fund enters into an agreement in respect of an acquisition transaction or a take-over bid, the holders of the Exchangeable Units will be entitled to exchange such Units for Units of the Fund.

(b) Special Voting Units

An unlimited number of Special Voting Units may be created and issued pursuant to the Declaration of Trust. The holders of the Exchangeable Units were issued 3,509,167 Special Voting Units of the Fund, the value of which is included in non-controlling interest. The Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund. Each Special Voting Unit entitles the holder thereof to one vote at all meetings of voting Unitholders. Such Special Voting Units are to be cancelled on the exchange of Exchangeable Units for Units of the Fund.

8. Fund units

	Units	Amount $
Units issued on June 23, 2005		
Initial public offering	6,525,000	65,250,000
Expenses of offering		(5,415,000)
Balance as at March 31, 2007 and December 31, 2006	6,525,000	59,835,000

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of a termination or winding up of the Fund. Each Unit entitles the holder thereof to one vote at all meetings of voting Unitholders.

The Units are redeemable at any time on demand by the holders thereof, subject to the terms and conditions as outlined in the Prospectus. The total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000, provided that the Trustees of the Fund may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month.

9. Commitments

Coast leases business premises in Vancouver, Surrey, Kelowna, Victoria, Coquitlam, Abbotsford, Nanaimo, Calgary, Edmonton, Saskatoon, Regina and Winnipeg. The lease agreements require Coast to make the following minimum lease payments in the next five years (exclusive of common area maintenance costs):

12 months ended March 31	$
2008	2,431,750
2009	2,346,786
2010	2,248,608
2011	1,168,642
2012	753,036
	8,948,822

10. Financial instruments

(a) Fair value

Financial instruments consist of cash and cash equivalents, accounts receivable, funds held in trust, accounts payable and accrued liabilities, customer deposits, Term Loan, accrued distributions payable to Unitholders and accrued distributions payable to non-controlling interests, the fair value of which are considered to approximate their carrying value due to their ability of prompt liquidation except as noted elsewhere in these consolidated financial statements.

(b) Credit risk

Coast is exposed to credit risk only with respect to uncertainties as to the timing of collectability of accounts receivable. Coast mitigates credit risk through standard credit and reference checks.

(c) Hedging

As a part of Coast's hedging strategy, on July 28, 2005 Coast entered into an interest-rate swap transaction to fix the effective rate of interest on the Term Loan until June 23, 2008 at 3.55% plus 1.00% to 1.50%, based on the ratio of senior debt to earnings before interest, taxes, depreciation and amortization, calculated on a quarterly basis. The fair value of the hedge at March 31, 2007 is $172,529 ($182,839 as at December 31, 2006). The terms of the hedge match the timing of the derivative hedge exactly with the terms of the loan resulting in no gain or loss in the period.

(d) Currency risk

Coast is exposed to some financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The amount of foreign currency purchases is minimal (2%) in comparison to the overall purchases; therefore, Coast considers this risk to be low.

(e) Concentration risk

During the period ended March 31, 2007, purchases by Coast from its three largest suppliers totaled $18,644,335. At March 31, 2007 amounts payable to these suppliers included in accounts payable and accrued liabilities net of rebates receivable totaled $4,896,254 ($346,618 as at December 31, 2006).

Management believes Coast has alternative options that would ensure continued product supply, should it encounter problems with any of its three largest suppliers.

11. Related party transactions

Coast leases six of its branch locations (Vancouver, Kelowna, Langley, Coquitlam, Victoria and Calgary) and three of its warehouses (Vancouver, Victoria and Calgary) from a company affiliated with Coast Ltd. the former owner of the business who has a non-controlling interest in the Fund (see Note 7). The total amount paid to related parties for the three months ended March 31, 2007 was $355,173. Each of these leases was modified as part of the initial public offering, to provide for a term of five years from June 23, 2005 with two consecutive options to renew at the option of Coast at the greater of the existing rent or the fair market rent at the time of the renewal. The amounts were measured at the exchange amount which was the consideration agreed upon between the related parties.

12. Net change in non-cash working capital

	3 months ended March 31 2007 $	3 months ended December 31 2006 $
Accounts receivable	645,722	(1,198,510)
Inventory	(438,913)	(1,607,655)
Prepaid expenses	(96,631)	(92,353)
Accounts payable and accrued liabilities	3,260,919	(411,190)
Customer deposits	568,380	1,217,338
Deferred warranty revenue	40,395	234,227
	3,979,872	(1,858,143)

13. Segmented information

The Fund operates in one industry segment: the sale and distribution of major household appliances.

14. Contingency

On October 31, 2006 the Minister of Finance announced significant changes in the taxable status of income trusts. These announced changes, while still to be enacted in Parliament, would result in the Fund becoming subject to income tax in 2011. Full details of the proposed changes are still being analyzed but because details of the regulations are not yet available, an estimate of the financial effects and possible impacts on the structure of the Fund and/or restrictions on its ability to grow cannot be reasonably estimated.

15. Long-term incentive plan

The Fund adopted a form of long-term incentive plan ("LTIP") in the first quarter of 2007. Under the terms of the LTIP 10% to 20% of distributable cash in excess of an established threshold is paid to the plan trustee to purchase units of the Fund for the participants. The cost is accrued in the period when distributable cash exceeds the thresholds established for the LTIP and amortized to expenses over the vesting period of the applicable participant award. Benefits forfeited under the plan are returned to the Fund.

As at March 31, 2007, the Fund has no liability nor recorded any expense in respect of the LTIP.

16. Subsequent events

On April 18, 2007 the Fund declared its twenty-second distribution of $0.10 per Unit for the period from April 1, 2007 to April 30, 2007 to Unitholders of record of the Fund on April 30, 2007 to be paid May 15, 2007. These distributions are consistent with the amount of the distributions contemplated by the Fund in its Prospectus of June 15, 2005. The Fund's policy is for Unitholders of record on the last business day of each month to receive distributions on or about the 15th day following the end of such month.

Unitholder Information

Coast Wholesale Appliances Income Fund

Investor Relations

604.301.3400
Email: invest@coastappliances.com
Web: www.coastincomefund.com

Auditors

Deloitte & Touche LLP
Vancouver, BC

Trust Units Listed

Toronto Stock Exchange
Trading Symbol: CWA.UN

Registrar and Transfer Agent

Computershare Investor
Services Inc.

Coast Wholesale Appliances LP: Management

R. Blain Lawson
President and Chief Executive Officer

Jack G. Peck, CA
Vice President and Chief Financial Officer

William L. Smith
Vice President, Sales and Marketing – Multi-Family

Stephen J. Raben
Vice President, Sales and Marketing – Single-Family

Head Office:

Coast Wholesale Appliances
Income Fund and
Coast Wholesale Appliances LP
8488 Main Street
Vancouver, BC
V5X 4W8