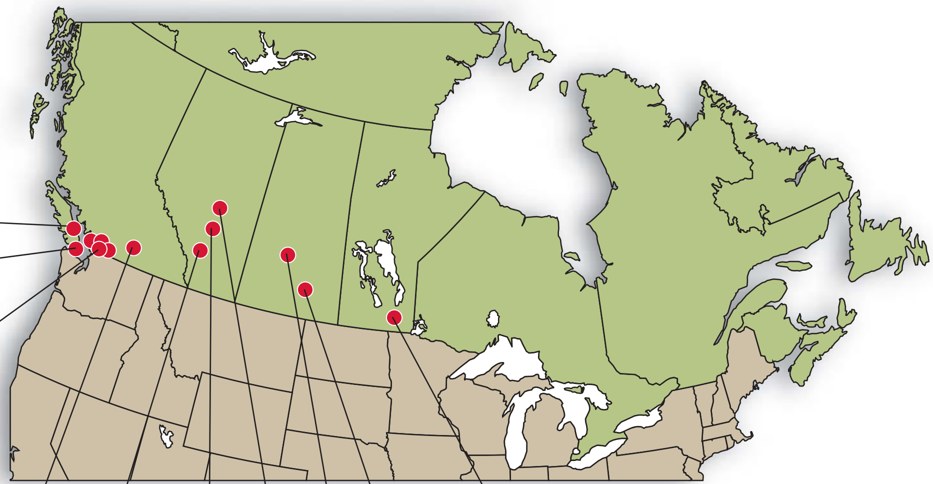
Coast Wholesale Appliances
Income Fund

Q1.2008

**REPORT TO UNITHOLDERS
THREE MONTHS ENDED
MARCH 31, 2008**



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. These units were initially subordinated to those of public unitholders, subject to the Fund meeting certain EBITA and cash distribution targets, as set out in our June 15, 2005 prospectus. All of the conditions for removal of the subordination were met during 2007 and the subordination was removed on March 24, 2008.

Cash distributions, currently paid monthly to public unitholders and 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 combines contract sales to developer and builder customers with direct sales to retail customers.

The exceptional stability our business has shown over the past 30 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 and energy efficiency 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 stores; and
3. Continue to enhance our profitability.

Performance Highlights

(in thousands of dollars except percentages and per-unit amounts)

	2008 **Q1** $	2007 **Q1** $	2006 **Q1** $
Sales	33,876	31,161	27,717
Gross profit	8,466	7,732	6,659
As a percentage of sales	*25.0%*	*24.8%*	*24.0%*
Net income before non-controlling interest	1,941	2,015	1,843
Basic and diluted net income per unit	0.194	0.200	0.184
EBITDA	2,849	2,793	2,747
EBITDA margin	*8.4%*	*9.0%*	*9.9%*
Maintenance capital expenditures	181	5	50
Adjusted distributable cash	2,415	2,555	2,450
Adjusted distributable cash per unit	0.24	0.25	0.24
Distribution per unit	0.31	0.30	0.30
Adjusted distribution ratio	*127.8%*	*117.8%*	*122.9%*

- Grew first quarter revenues by 8.7% over 2007 to $33.9 million
- Improved comparable store sales by 7.1% over 2007
- Improved gross margin to 25% from 24.8% in 2007
- Improved inventory turnover by 7% year-over-year
- Relocated existing Abbotsford store to new, larger premises in a higher traffic area
- Continued to meet all cash distribution commitments to public unitholders and the retained interest

To Our Unitholders

On behalf of the Board of Trustees of Coast Wholesale Appliances Income Fund, and all of our employees across Western Canada, we are pleased to report to you on our performance for the three months ended March 31, 2008. Coast continued to deliver healthy sales growth in the first quarter of the year, which is historically a seasonally slower period for Coast. Our sales growth was most notable in Alberta, where we realized particularly strong contract sales completions.

First quarter operating results

Coast's revenues of $33.9 million for the three months were up by 8.7% from the first quarter of 2007. At comparable stores – locations open for more than one year – our sales increased by 7.1%, despite two fewer shipping days in 2008 due to this year's earlier Easter break. New store sales growth during the quarter came from the Edmonton and Red Deer, Alberta locations we respectively added in mid-February and late March of 2007. Both stores continued to perform well.

Traditionally, Coast's revenues have been fairly evenly split between contract sales to developers and builders, and direct sales to retail customers. During the first quarter, we saw our business mix shift slightly in favour of contract sales. Our retail sales growth in the three months was comparable to that achieved in the second half of 2007, but down from the particularly strong growth rates we experienced in the first half of last year due to more cautious consumer spending. As anticipated, Coast's contract business continued to benefit from the strong housing market throughout Western Canada, and particularly in Alberta.

Thanks mainly to our increased focus on higher-margin products and brands, we recorded a modest improvement in our gross margin, which rose to 25% from 24.8% in the first quarter of 2007. In addition, we had a year-over-year improvement in our inventory turnover rate of 7%.

Coast's first quarter EBITDA was unchanged from 2007, but our EBITDA margin of 8.4% was down from the 9.0% we reported last year. The reduction in EBITDA margin was due mainly to the impact of our generally higher expenses with the growth of Coast's business. Net income before non-controlling interest for the quarter was $1.9 million, or 5.7% of sales, down from $2.0 million, or 6.5% of sales, in 2007.

Enhancing our profitability and increasing sales from existing stores are key priorities for Coast. As part of our strategy to drive up our comparable store sales, we completed the planned relocation of our Abbotsford store to a new facility in a higher-traffic area at the end of February 2008. The new location marked its official grand opening subsequent to quarter-end, on April 19, 2008. A similar relocation of our existing Regina store is scheduled for the third quarter of 2008. In addition, we are streamlining our non-selling functions to drive greater operating efficiency, and have upgraded our inventory management and computer systems to support the future growth and expansion of our business. Testing of the new inventory management system is substantially completed. It will be rolled-out to the balance of our locations over the next quarter.

Cash distributions

Distributions in the amount of $0.1025 per unit were declared for each of the first three months of the year. This represents an annualized distribution rate of $1.23 per unit. By the end of the first quarter, the Fund had paid a total of 33 consecutive monthly cash distributions to our public unitholders, as well as 11 consecutive quarterly cash distributions to the non-controlling interest held by the former owner of the Coast business. Beginning with the April 2008 distribution, all cash distributions to both public unitholders and the retained interest will be paid monthly.

During the seasonally slower first quarter, the Fund earned $2.4 million, or $0.24 per unit, in adjusted distributable cash (before the non-controlling interest). This was down slightly from the $2.6 million, or $0.25 per unit, we earned in the same period of 2007. With the per-unit monthly distribution increase introduced in October 2007, the amount distributed and accrued for payment to unitholders and the non-controlling interest increased in 2008 to $3.1 million, or $0.31 per unit, from $3.0 million, or $0.30 per unit, in 2007.

The Fund's adjusted payout ratio for the first quarter of 2008 was 127.8%, up from the 117.8% we reported in 2007. The higher payout ratio in 2008 was due mainly to our increased maintenance capital expenditures and the increased monthly distribution amount in the first quarter of the year. The capital expenditures were primarily for the Abbotsford store relocation, necessary building improvements and other expenditures required for normal operations. These planned expenditures exceeded the 2007 level by $0.2 million.

Outlook

We remain cautious, but optimistic, about the outlook for our business. Although we are still seeing a slowing of single-family housing starts in Western Canada, the multi-family market remains robust and we continue to expect that total housing starts will be close to the record levels of the past two years. We expect ongoing sales growth from our existing stores in 2008, and will continue to actively review opportunities for expansion by increasing our coverage of Western Canada and potentially entering the eastern Canadian market.

The Fund also continues to consider the potential impact of the taxation of distributions at the trust level set to begin in 2011. However, we are unable to determine the most appropriate course of action for Coast until information about the transition process is made available by taxation authorities.

In closing, on behalf of the board of trustees, we extend our sincere appreciation to Ian F. Thomas for his significant contribution as a trustee and a director of Coast since the Fund's inauguration in 2005. Ian stepped down in April due to time demands of commitments. In his place, we are pleased to welcome Donald J.A. Smith, who brings significant and relevant experience in the wholesale and retail industries, including corporate finance, corporate governance and business planning.

We also extend our thanks to all of our partners in success – our employees, our suppliers and our customers – and our appreciation to our unitholders for your continued confidence in our business. We look forward to reporting to you on our progress over the balance of 2008.

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.

Management's Discussion and Analysis of Financial Conditions and Operations

For the period ended March 31, 2008

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 may 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, relatively 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; usage of 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; foreign exchange rates as they relate to imported products; and interest rates. The Fund cannot assure investors that actual results will be consistent with these forward-looking statements, and the Fund assumes no obligation to update or revise these forward-looking statements to reflect new events or circumstances.

This management's discussion and analysis has been prepared as of May 6, 2008. It should be read in conjunction with the Fund's unaudited interim consolidated financial statements and accompanying notes for the period ended March 31, 2008, which appear later in this report, and our audited consolidated financial statements for the year ended December 31, 2007. 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 an initial public offering of trust units. This report presents our financial results for the period from January 1, 2008 to March 31, 2008.

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.), now called CWAL Investments 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 our 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 2007 Annual Report, dated March 19, 2008 (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 have historically been approximately equal, accounting for 25% to 26% of sales. In 2007, we saw a change in this seasonality. The first quarter was still our slowest, remaining at 21% to 22% of annual sales, while the remaining three quarters were more equal in size, at approximately 26% of annual sales each.

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, 2008. This material should be read in conjunction with the unaudited consolidated financial statements and notes that accompany this report.

Selected Financial Information

(in thousands of dollars except percentages)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Sales	33,876	31,161
Cost of sales	25,410	23,430
Gross profit	8,466	7,731
As a percentage of sales	*25.0%*	*24.8%*
Expenses (1)	5,596	4,930
Amortization of leasehold inducements (netted with facility expenses)	21	8
EBITDA (2)	2,849	2,793
As a percentage of sales	*8.4%*	*9.0%*
Interest	323	233
Future income taxes (recovery)	(24)	
Amortization	609	546
Net income before non-controlling interests	1,941	2,014
As a percentage of sales	*5.7%*	*6.5%*
Non-controlling interest	678	704
Net income	1,263	1,310

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

(2) See definition of EBITDA under "Non-GAAP Measures".

Operating Results

Sales

(in thousands of dollars except percentages)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Comparable stores (1)	32,382	30,243
% increase	*7.1%*	*9.1%*
New stores	1,494	918
Total	33,876	31,161
% increase	*8.7%*	*12.4%*

(1) Comparable stores are locations open for more than one year from the date of this report.

Sales

Sales for the three months ended March 31, 2008 were $33.9 million, up by $2.7 million, or 8.7%, from the $31.2 million we recorded in the first quarter of 2007. At comparable stores – locations open for more than one year from the end of the period covered by this report – sales grew by $2.1 million, or 7.1%, quarter-over-quarter, despite a reduction in the number of shipping days. In 2008, with the Easter break occurring in March rather than April, the first quarter included two fewer shipping days than in 2007.

Alberta continued to show particular strength as a result of strong contract sales completions with developers and builders in the first quarter. New store sales growth came from the Edmonton and Red Deer locations, which we respectively opened in February and March of 2007. Both stores were strong contributors.

Our retail sales continued to grow, but at a somewhat slower rate than in the first six months of last year. Our contract business remained strong throughout Western Canada, thanks to the sustained robust housing market. As a result, our business mix was again skewed slightly in favour of contract sales.

As part of our ongoing strategy to drive up Coast's comparable store sales, we relocated our Abbotsford store to a new facility in a higher-traffic area at the end of February 2008. The new location marked its official grand opening subsequent to quarter-end, on April 19, 2008.

Cost of sales and gross profit

Cost of sales for the three months ended March 31, 2008 was $25.4 million, or 75.0% of sales. This resulted in a gross profit of $8.5 million, or 25.0% of sales. By comparison, in the first quarter of 2007, cost of sales was $23.4 million, or 75.2% of sales, providing a gross profit of $7.7 million, or 24.8% of sales. The 0.2 % improvement in gross margin was mainly due to Coast's increased focus on higher-margin products and brands. In addition, we had an improvement in our inventory turnover of 7% on a year-over-year basis.

Expenses

Selling, warehouse, facility and general and administrative (SG&A) expenses for the three months ended March 31, 2008 were $5.6 million, or 16.5% of sales. This was up by $0.7 million from the first quarter of 2007, when SG&A expenses of $4.9 million equalled 15.8% of sales. The increase was mainly due to the following factors:

- Sales expenses were $0.3 million higher than in the first quarter of 2007, and represented 7.9% of sales, compared to 7.5% in 2007. The additional expenses related to wages and benefits. Over the past year we have continually faced upward pressure on our wage and benefit structures due to the very strong labour market in Western Canada.
- The new Edmonton south and Red Deer stores we respectively opened in mid-February 2007 and late March 2007 added $0.1 million to our total SG&A expenses for the first quarter of 2008. During the 2007 start-up period, we incurred only partial expenses for these now fully operational locations.
- Our first quarter facilities costs increased by approximately $0.1 million over 2007, again due mainly to the two new Alberta stores being fully operational in 2008.
- First quarter general and administrative expenses were also up by $0.1 million over 2007, due in part to increased administrative wages and benefits and a swing in our bad debt allowance from the prior year, when we experienced some recoveries.
- Warehouse costs for the first quarter were up by $0.1 million over 2007, due mainly to higher wage and benefit expenditures in 2008. Increases to staffing levels and rates of pay accounted for two-thirds of the year-over-year difference. The balance was due to Coast's higher sales volumes.

EBITDA

EBITDA and EBITDA margin are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP (see "Non-GAAP Measures" below).

A reconciliation of net income to EBITDA is as follows:

(in thousands of dollars except percentages)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Net income	1,263	1,310
Non-controlling interest	678	704
Interest	323	233
Future income taxes (recovery)	(24)	
Amortization	609	546
EBITDA (1)	2,849	2,793
EBITDA margin (1)	*8.4%*	*9.0%*

(1) See definition of EBITDA and EBITDA margin under "Non-GAAP Measures".

EBITDA for the three months ended March 31, 2008 was $2.8 million, unchanged from the first quarter of 2007. Our EBITDA margin of 8.4% for the three months was down from 9.0% in the first quarter of 2007. In 2008, the new Edmonton south and Red Deer stores had a positive impact on our total EBITDA dollars, but a negative impact on the overall EBITDA margin. The reduction in our EBITDA margin was mainly due to our increased expenses, as discussed above, and was somewhat offset by the improvement in our gross margin from 24.8% in the first quarter of 2007 to 25.0% in 2008.

Interest

Interest expense in the first quarter was impacted by the accounting treatment of financial instruments. In fiscal 2007, our interest rate swap became ineffective for accounting purposes when we extended the maturity date of our term loan (see Financial Instruments below). As a result, we recorded a financial instrument on our balance sheet, which will be amortized to income on a marked-to-market basis over its life, that is, until June 23, 2008. This change effectively increased our first quarter interest expense by $0.1 million. Without the change, our interest expense would have shown a small increase over the first quarter of 2007, due to the increased utilization of our operating line during 2008.

Amortization

Amortization for the three months ended March 31, 2008 was $0.6 million, up from the $0.5 million we recorded in 2007. The small increase was due to the increased amortization related to the addition of fixed assets at the end of fiscal 2007 and the amortization of assets relating to the two new stores opened in the first quarter of 2007.

Net income before non-controlling interest

Net income before non-controlling interest for the three months ended March 31, 2008 was $1.9 million, compared to $2.0 million in the first quarter of 2007. As a percentage of sales, our three-month net income before non-controlling interest of 5.7% was down from 6.5% in the first quarter of 2007. The reduction in this ratio was mainly attributable to the increase in our expenses, as discussed above, which was somewhat offset by the improvement in our first quarter gross margin from 24.8%in 2007 to 25.0% in 2008. Our first quarter net income before non-controlling interest was also impacted by the increases in interest expense and amortization, as discussed above.

Summary of Quarterly Results

(in thousands of dollars except percentages and per-unit amounts)	2008	2007				2006		
	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $
Sales	33,876	37,306	37,759	36,809	31,161	32,762	34,674	30,802
Gross profit	8,466	9,316	9,496	9,228	7,732	8,570	8,717	7,710
Gross profit percentage	*25.0%*	*25.0%*	*25.1%*	*25.1%*	*24.8%*	*26.2%*	*25.1%*	*25.0%*
Net income before non-controlling interest	1,941	2,227	3,376	3,209	2,015	2,835	3,379	2,317
Net income	1,263	1,448	2,196	2,087	1,310	1,844	2,197	1,507
Basic and diluted net income per unit	0.194	0.222	0.337	0.320	0.200	0.283	0.337	0.231
Distributions per unit	0.3075	0.3075	0.30	0.30	0.30	0.30	0.30	0.30

Refer to the section on Seasonality above for a discussion of the impact of seasonality on our quarterly sales levels. Historically, gross profit percentages have been higher in the fourth quarter of each year due to the inclusion of specific supplier annual volume rebates. In the fourth quarter of 2007, we did not attain the necessary volume levels to receive a rebate from one of our major suppliers, which resulted in a fourth quarter margin more consistent with that achieved in the first three quarters of the year.

Liquidity and Capital Resources

Cash flow from operating activities

Cash flow from operating activities for the three months ended March 31, 2008 was $5.5 million, down from the $6.5 million we reported in the first quarter of 2007. Our net income and resulting cash flow before changes in non-cash working capital were comparable year-over-year. The difference in our cash flow from operating activities was mainly due to changes in our non-cash working capital. The following table details the specific changes in non-cash working capital items since the respective year ends.

(in thousands of dollars)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Accounts receivable	206	646
Inventory	1,130	(439)
Prepaid expenses	(110)	(96)
Accounts payable and accrued liabilities	732	3,261
Customer deposits	995	568
Deferred warranty revenue	26	40
Change in non-cash working capital	2,979	3,980

Capital expenditures

(in thousands of dollars)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Total capital expenditures	181	248
Less tenant inducements	–	147
	181	101
Less:		
Growth capital expenditures on new stores net of inducements	–	96
Inventory computer project funded separately	–	–
	–	96
Maintenance capital expenditures (1)	181	5

(1) See definition of maintenance capital under "Non-GAAP Measures".

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

Capital expenditures during the first quarter of 2008 related to the move of our Abbotsford store, leasehold improvement work at our Vancouver head office and ongoing necessary capital expenditures for normal operations. These expenditures were all considered to be maintenance capital. For the same period in 2007, the majority of the capital expenditures were growth capital as they related to our new stores.

We anticipate that our maintenance capital expenditures in subsequent years will range from approximately $0.7 million to $1.0 million. This amount may grow somewhat as we increase our store count.

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, 2008, distributions of $0.3075 per unit were paid to public unitholders, totalling $2.0 million. In addition, distributions of $0.3075 per unit were paid to the non-controlling interest held by the former owner of the Coast business, totalling $1.1 million.

From the Fund's inception on June 23, 2005 through March 31, 2008, distributions totalling $21.8 million have been paid to public unitholders. Distributions to the non-controlling interest have also been paid in full during this period, totalling $11.7 million. The subordination period relating to the non-controlling interest ended on March 24, 2008. Future distributions to the non-controlling interest will no longer be subordinated to those to the Fund's public unitholders and will now be paid on a monthly basis rather than quarterly.

Period	Record date	Payment date	Per unit $	Amount $
January 2008	January 31, 2008	February 15, 2008	0.1025	668,812
February 2008	February 29, 2008	March 17, 2008	0.1025	668,812
March 2008	March 31, 2008	April 15, 2008	0.1025	668,812
			0.3075	2,006,436

The accrued distributions payable to unitholders and the non-controlling interest at March 31, 2008 were paid on April 15, 2008.

On April 21, 2008, we announced our thirty-fourth consecutive monthly distribution, in the amount of $0.1025 per unit for the month of April, which will be paid on May 15, 2008 to uniholders of record on April 30, 2008.

In fiscal 2008, we anticipate that our distributions will be treated for tax purposes as of 99% taxable income and 1% return of capital.

Standardized Distributable Cash

On July 18, 2007, the Canadian Institute of Chartered Accountants (CICA) issued an interpretive release (Standardized Distributable Cash in Income Trusts and other Flow-through Entities) providing guidance on standardized preparation and disclosure of distributable cash for income trusts. The CICA calculation of standardized distributable cash is based on cash flows from operating activities, including the effects of changes in non-cash working capital, less total capital expenditures. The table below uses this calculation method to set out standardized distributable cash.

(in thousands of dollars except percentages and per-unit figures)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $	12 months trailing March 31, 2008 $	12 months trailing March 31, 2007 $
Cash from operations	5,505	6,539	10,250	14,017
Other capital expenditures		(96)	(406)	(936)
Maintenance capital expenditures (1)	(181)	(5)	(856)	(374)
Standardized distributable cash	5,324	6,438	8,988	12,707
Distributions	3,086	3,010	12,192	12,040
Standardized distributable cash per unit	0.531	0.642	0.896	1.266
Distributions per unit	0.308	0.300	1.215	1.200
Standardized payout ratio	*58.0%*	*46.8%*	*135.6%*	*94.8%*
Cumulative since IPO June 23, 2005				
Standardized distributable cash	27,936			
Distributions	33,496			
Standardized payout ratio	*119.9%*			

(1) See definition of maintenance capital under "Non-GAAP Measures.

Management believes that the standardized distributable cash calculation distorts the Fund's quarter-to-quarter distributable cash and payout ratios, as our non-cash working capital fluctuates with the seasonality of our business and changes in the timing of the payment of payable transactions.

On a 12-month trailing basis, using the standardized distributable cash calculation, our standardized payout ratio of 135.6% at March 31, 2008 was significantly higher than the 94.8% we reported at March 31, 2007. Using the adjusted distributable cash calculation described below, the Fund's 12-month trailing payout ratio at March 31, 2008 was 99.2%, up from 93.5% at March 31, 2007.

The main difference between the two methods is the inclusion of our net changes in non-cash working capital and growth capital expenditures in the standardized calculation.

Adjusted Distributable Cash

Historically, we have considered distributable cash to be our net income before non-controlling interest and amortization, less maintenance capital expenditures. This is the equivalent of cash flows from operating activities before changes in non-cash working capital, less maintenance capital expenditures (see "Non-GAAP Measures" below), plus the non-cash component of interest expense. The table below uses this calculation method to set out our adjusted distributable cash.

(in thousands of dollars except percentages and per-unit figures)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $	12 months trailing March 31, 2008 $	12 months trailing March 31, 2007 $
Cash flow from operations - before changes in non-cash working capital	2,526	2,560	12,995	13,250
Non-cash interest charges netted with interest	70		148	
Maintenance capital expenditures (1)	(181)	(5)	(856)	(374)
Adjusted distributable cash (1)	2,415	2,555	12,287	12,876
Distributions to unitholders & non-controlling interest	3,086	3,010	12,192	12,040
Adjusted distributable cash per unit (1)	0.24	0.25	1.22	1.28
Distributions per unit	0.31	0.30	1.22	1.20
Adjusted payout ratio	*127.8%*	*117.8%*	*99.2%*	*93.5%*
Cumulative since IPO June 23, 2005				
Adjusted distributable cash (1)	34,883			
Distributions	33,496			
Adjusted payout ratio	*96.0%*			

(1) See definition of maintenance capital & adjusted distributable cash under "Non-GAAP Measures".

Our adjusted distributable cash payout ratio varies throughout the year according to the seasonality of our 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 2008, our adjusted payout ratio of 127.8% was up from the 117.8% we reported for the same period of 2007. The year-over-year difference was due to the $0.2 million increase in our first quarter maintenance capital expenditures in 2008 and the increased rate of cash distributions introduced in October 2007.

On a 12-month trailing basis, our adjusted payout ratio to March 31, 2008 of 99.2% was up from the 93.5% we reported at March 31, 2007. Again, the higher adjusted payout ratio was due to increased maintenance capital expenditures, which rose by approximately $0.5 million over the previous 12-month period, combined with the increase to our distributions.

On a cumulative basis, from the Fund's inception at June 23, 2005, our adjusted payout ratio is 96.0%.

The following table reconciles standardized distributable cash to adjusted distributable cash.

(in thousands of dollars)	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $	12 months trailing March 31, 2008 $	12 months trailing March 31, 2007 $	Since Junne 23, 2005 $
Standardized distributable cash	5,324	6,438	8,988	12,707	27,936
Change in non-cash working capital	(2,979)	(3,979)	2,745	(767)	4,958
Non-cash interest charges netted with interest	70	–	148	–	148
Non maintenance capital expenditures (1)	–	96	406	936	1,841
Adjusted distributable cash (1)	2,415	2,555	12,287	12,876	34,883

(1) See definition of maintenance capital & adjusted distributable cash under "Non-GAAP Measures".

Contractual obligations, commitments and financing

Payments due by period as at March 31, 2008

(in thousands of dollars)	Operating leases $	Term loan $
Less than one year	2,657	–
One to three years	4,220	20,000
Four to five years	2,506	–
After five years	3,955	–
	13,338	20,000

Coast has borrowed $20 million under a three-year interest only, non-revolving term loan due July 31, 2010. The loan was made available for the financing of capital assets and working capital. Advances under the agreement bear interest at prime plus 0% to 0.25%, when borrowed directly, or at the banker's acceptance rate plus 1.00% to 1.50%, when a banker's acceptance facility is utilized, based on the ratio of senior debt to earnings before interest, taxes, depreciation and amortization, calculated on a quarterly basis (see Financial Instruments below). 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, depreciation 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 6 of the March 31, 2008 unaudited interim consolidated financial statements). No principal repayments are required during the term of the loan.

In July 2007, we added a second term facility in the amount of $13.5 million to facilitate anticipated future business acquisitions. The terms of this new facility are effectively the same as those of the term loan, as described above. At March 31, 2008, this term facility had not been utilized.

Operating leases are in place for all premises. Coast paid total basic rent of $0.7 million for the three months ended March 31, 2008. This compares to total basic rent of $0.6 million for the three months ended March 31, 2007. At the end of the first quarter 2008, we relocated our Abbotsford store to a new facility in a higher-traffic area. We plan to make a similar move with our Regina store in the third quarter of 2008.

Working capital and liquidity

(in thousands of dollars)	March 31, 2008 $	December 31, 2007 $
Working capital	17,607	18,342
Total assets	128,786	130,419
Total liabilities	40,826	41,315
Total long term liabilities	22,277	22,276

Working capital of $17.6 million at March 31, 2008 was down by $0.7 million from the $18.3 million we reported at December 31, 2007, but only slightly lower than the $17.9 million we reported at March 31, 2007. Since our 2007 year-end, our inventories and receivables have both decreased, by $1.1 million and $0.2 million, respectively, while our accounts payable increased by $0.7 million and our combined operating line and outstanding cheques decreased by $2.2 million.

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, depreciation 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 6 of the March 31, 2008 unaudited interim consolidated financial statements). The operating loan was nil at March 31, 2008, compared to $3.6 million at December 31, 2007. Its utilization in the first quarter of 2008 was increased over the same quarter of 2007, primarily 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, 2008 were $128.8 million, compared to total assets at December 31, 2007 of $130.4 million. The difference was mainly due to decreased inventory and accounts receivable.

Inventory at March 31, 2008 was $20.5 million, compared to $21.6 million December 31, 2007. The $1.1 million decrease reflects our efforts to reduce our inventory levels in general. Despite the on-going expansion of our product lines, Coast's inventory levels at March 31, 2008 were comparable to those at March 31, 2007.

Accounts receivable at March 31, 2008 were $15.3 million, compared to $15.5 million at December 31, 2007. As charted below, our trade accounts receivable increased by $0.9 million over the 2007 year-end total, while our supplier rebate and other receivables was reduced by $1.1 million. The higher trade receivables at March 31, 2008 reflect our strong first quarter contract sales, which utilize our credit terms.

(in thousands of dollars)	March 31, 2008 $	December 31, 2007 $
Accounts receivable - trade	14,185	13,253
Supplier rebates and other	1,077	2,215
	15,262	15,468

Total liabilities

Total liabilities at March 31, 2008 were $40.8 million, compared to $41.3 million at December 31, 2007. The $0.5 million decrease was mainly due to the $2.2 million reduction in our combined operating loan and outstanding cheques, offset by a $1.0 million increase in our customer deposits.

At March 31, 2008, our operating line was nil, compared to a balance of $3.7 million at December 31, 2007. Outstanding cheques at March 31, 2008 totalled $2.4 million, compared to $0.9 million at December 31, 2007. The difference was mainly due to the timing of the processing of our March 31, 2008 payments when compared to the December month-end payments

Accounts payable and accrued liabilities at March 31, 2008 were $9.4 million, compared to $8.7 million at December 31, 2007. This change was mainly a result of the timing of processing our accounts payable payments.

Customer deposits at March 31, 2008 were $4.3 million, compared to $3.3 million at December 31, 2007.This reflects the continuing strength of our retail business during the first quarter of 2008 and shows a $0.4 million increase from the $3.9 million in customer deposits at March 31, 2007.

Total deferred warranty revenue (combined current and long-term) of $2.4 million at March 31, 2008 was unchanged from December 31, 2007.

Deferred lease inducements in the amount of $0.6 million at March 31, 2008 were down from $0.7 million at December 31, 2007, due to the amortization recorded in 2008.

Long-term incentive plan

The Fund adopted a form of long-term incentive plan (LTIP) in 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.

At March 31, 2008, the Fund had a liability of approximately $40,000 in relation to the LTIP for fiscal 2007. Subsequent to the end of the quarter these funds were paid to the plan trustee and units in the Fund were purchased. There were no expenses recorded by the Fund in respect of the LTIP in the first quarter as none of the awards were vested at March 31, 2008.

Fund Units

At March 31, 2008, the Fund had 6,525,000 units issued and outstanding, for an aggregate amount of $59,835,000, which was unchanged from December 31, 2007. In addition, there are 3,509,166 exchangeable units of Coast Wholesale Appliances LP issued and outstanding, exchangeable on a one-for-one basis for units of the Fund at the option of the holder, CWAL Investments Ltd. (CWAL), the former owner of the Coast business.

Until such time that CWAL completes the exchange, it has been issued 3,509,166 special voting units of the Fund, the value of which is included in non-controlling interest. These 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.

The exchangeable units were initially subordinated to the Fund units, subject to certain prescribed EBITDA and distribution targets being met. These targets were met in 2007 and the subordination relating to the exchangeable units was removed on March 24, 2008.

For additional information on the Fund units issued and the exchangeable units, refer to Notes 7 and 8 of the March 31, 2008 unaudited interim consolidated financial statements.

Financial Instruments

Financial instruments of Coast consist of cash and cash equivalents, accounts receivable, accounts payable, customer deposits, our term and operating loans 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 consolidated financial statements. These financial instruments are subject to credit risk, currency risk and concentration risk, as described in the consolidated 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 derivative financial instrument previously qualified for hedge accounting. During the third quarter of 2007, we extended the maturity of our term loan to July 31, 2010. As a consequence, the hedging relationship ceased to be effective. The effects of the ceased hedging relationship were not material to the Fund's financial statements at March 31, 2008.

Off Balance Sheet Arrangements

Coast has not entered into any off balance sheet arrangements.

Critical Accounting Policies and Estimates

We have prepared our consolidated 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 3 of the Fund's year-end audited consolidated 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:

New accounting standards adopted

Inventories

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3031, "Inventories". There have been no changes to the financial statements as a result of the adoption of this section.

Financial instruments

Effective January 1, 2008, the Fund adopted CICA Section 1535."Capital Disclosure"; Section 3862, "Financial Instruments – Disclosures"; and Section 3863, "Financial Instruments – Presentation".

Section 1535 establishes guidelines for the disclosure of information on the Fund's capital and how it is managed. This enhanced disclosure enables users to evaluate the Funds objectives, policies and processes for managing capital.

Section 3862 and 3863 replaced the existing Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how the Fund manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments.

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, 2007. 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, 2007. 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 current income taxes until 2011.

Beginning in 2011, as proposed by the federal government on October 31, 2006 and substantively enacted into legislation by the House of Commons on June 12, 2007, distributions that are currently paid out and taxed in the hands of unitholders will first be taxed at the trust level at a rate of 29.5%. The net amount will then be paid out to unitholders, where it will be taxed as taxable dividends paid by a Canadian corporation. In the interim period, the federal government has specified that "undue growth" may result in immediate taxation of income trusts that would otherwise not be subject to taxation until 2011.

In accordance with CICA Emerging Issues Committee bulletin EIC-111 (Determination of Substantively Enacted tax rates under CICA handbook section 3465) and the guidance in EIC-167 (Future Income Tax Liabilities and Income Trusts and other Specified Investment Flow-throughs), the Fund is required to recognize future income tax assets or liabilities. The corresponding change to the future income tax expense must be based on the temporary timing differences between the book and tax bases of assets and liabilities expected to reverse after the tax is imposed.

The Fund currently has an unused tax shield of approximately $46 million. The majority of this tax shield arose in the acquisition of the business 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.

For the three-month period ended March 31, 2008, the future income tax recovery was minimal at $24,000.

Related Party Transactions

We lease six store locations (Vancouver, Kelowna, Langley, Coquitlam, Victoria and Calgary) and two of our four warehouses (Vancouver and Victoria) from a company affiliated with Coast Ltd., the former owner of the business. For the three-month period ended March 31, 2008, our lease payments for these facilities totalled $0.3 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 and internal control over financial reporting

As at March 31, 2008, 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 quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Outlook

The following discussion is qualified in its entirety by the Forward-looking Statements report at the beginning of the management's discussion and analysis, and the section on risks and uncertainties following this outlook.

As previously announced, the Fund's thirty-fourth consecutive monthly distribution was scheduled for payment to public unitholders of record as at April 30, 2008 on May 15, 2008 in the amount of $0.1025 per unit. As the subordination period on the exchangeable units, held by CWAL Investments Ltd., is now over the distribution to these units in the amount of $0.1025 per unit was scheduled for payment on the same date.

As we move through 2008, the outlook for our business is cautious but optimistic. The market for major household appliances remains relatively strong in Western Canada, with continued healthy economic growth and in-migration to Alberta and Saskatchewan. While single family housing starts have slowed in recent months, multi-family residential growth has increased, and this year's total housing starts in Western Canada are expected to be close to the record levels realized in 2006 and 2007.

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 through streamlining our non-selling functions and driving greater operating efficiency. As planned, we relocated our Abbotsford store to a newer, larger facility in a higher traffic area during the first quarter, and expect to similarly relocate our existing Regina store in the third quarter. Our inventory management upgrade was substantially completed and tested by the end of the first quarter, as targeted. The new system will be rolled-out across the balance of our locations over the next quarter.

As of the date of this report, we have not yet ascertained how the Fund will respond to the taxation of distributions at the trust level to begin in 2011. We require information about the transition process from taxation authorities before we can determine the most appropriate course of action for the Fund.

We believe that our current and newly negotiated 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. 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 for 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;
- fluctuations in the Canada / US dollar exchange rate, which may impact product costs from our major suppliers and may also impact our selling prices with the increase of cross border shopping;
- changes to our product distribution processes, which may impact our ability to 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 costs, 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 earlier under "Forward-looking Statements".

Non-GAAP Measures

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

We view adjusted distributable cash as an operating performance measure. We consider adjusted distributable cash to be our cash flow from operations, before changes in non-cash working capital, less maintenance capital.

We consider maintenance capital expenditures to include leasehold improvements for existing locations, equipment purchases, 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 EBITDA 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, EBITDA is a useful supplemental measure. EBITDA and adjusted distributable cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and adjusted distributable cash may not be comparable to similar measures presented by other entities. Readers are cautioned that EBITDA and adjusted 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 EBITDA. For a reconciliation of EBITDA to net income presented in accordance with GAAP, see "Selected Financial Information" above. For a reconciliation of adjusted distributable cash to standardized distributable cash see "Adjusted Distributable Cash" 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

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The accompanying unaudited interim consolidated 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 consolidated financial statements.

Interim Consolidated Balance Sheets

(Unaudited)

	March 31, 2008 $	December 31, 2007 $
Assets		
Current assets		
Accounts receivable	15,262,215	15,467,972
Inventory	20,479,160	21,608,748
Prepaid expenses	414,079	303,831
	36,155,454	37,380,551
Leaseholds and equipment (Note 4)	4,328,741	4,457,051
Future income taxes	90,000	66,000
Intangible assets (Note 5)	16,130,022	16,434,018
Goodwill	72,081,521	72,081,521
	128,785,738	130,419,141
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	2,355,679	920,082
Operating loan (Note 6)	–	3,673,974
Accounts payable and accrued liabilities	9,399,326	8,667,554
Accrued distributions payable to unitholders	668,813	668,813
Accrued distributions payable to non-controlling interests	1,079,068	1,079,068
Customer deposits	4,269,602	3,274,015
Current portion of deferred warranty revenue	775,856	755,377
	18,548,344	19,038,883
Term loan (Note 6)	19,985,251	19,969,066
Long-term portion of deferred warranty revenue	1,653,339	1,647,416
Deferred lease inducements	638,841	659,745
	40,825,775	41,315,110
Non-controlling interest (Note 7)	30,758,869	31,159,016
Unitholders' equity	57,201,094	57,945,015
	128,785,738	130,419,141

Commitments (Note 9)

Approved on behalf of the Trustees

C. Kenneth Crump
Trustee

Donald J.A. Smith
Trustee

See accompanying notes to the unaudited interim consolidated financial statements

Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited)

	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Sales	33,875,628	31,161,225
Cost of sales	25,409,631	23,429,510
Gross profit	8,465,997	7,731,715
Expenses		
Selling	2,662,928	2,325,174
General and administrative	1,309,140	1,194,586
Facilities	1,068,945	979,526
Warehousing	554,643	431,171
	5,595,656	4,930,457
Income before under noted items	2,870,341	2,801,258
Amortization:		
Leaseholds and equipment	309,284	233,542
Deferred financing costs	16,185	16,185
Intangible assets	303,996	303,996
Interest	323,437	233,159
Income before future income taxes and non-controlling interest	1,917,439	2,014,376
Future income taxes (recovery)	(24,000)	–
Income before non-controlling interest	1,941,439	2,014,376
Non-controlling interest (Note 7)	678,921	704,427
Net income and comprehensive income	1,262,518	1,309,949
Basic and diluted net income per unit	0.1935	0.2008
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 Statements of Unitholders' Equity

(Unaudited)

	Fund units $	Cumulative income $	Cumulative distributions $	Retained earnings (deficit) $	Total $
Balance, December 31, 2007	59,835,000	17,885,982	(19,775,967)	(1,889,985)	57,945,015
Net income and comprehensive income		1,262,518		1,262,518	1,262,518
Distributions			(2,006,439)	(2,006,439)	(2,006,439)
Balance, March 31, 2008	59,835,000	19,148,500	(21,782,406)	(2,633,906)	57,201,094

See accompanying notes to the unaudited interim consolidated financial statements

Interim Consolidated Statements of Cash Flows

(Unaudited)

	3 months ended March 31, 2008 $	3 months ended March 31, 2007 $
Operating activities		
Net income and comprehensive income	1,262,518	1,309,949
Items not involving cash		
Amortization	629,465	553,723
Non-controlling interest	678,921	704,427
Amortization of deferred lease inducements	(20,904)	(8,483)
Future income taxes	(24,000)	–
	2,526,000	2,559,616
Change in non-cash working capital (Note 13)	2,978,858	3,979,872
	5,504,858	6,539,488
Investing activities		
Purchase of leaseholds and equipment	(180,976)	(248,319)
Lease inducement received	–	147,088
	(180,976)	(101,231)
Financing activities		
Operating loan (Note 6)	(3,673,974)	–
Distributions paid to unitholders	(2,006,439)	(1,957,500)
Distributions paid to non-controlling interest	(1,079,066)	(1,052,750)
	(6,759,479)	(3,010,250)
Net cash inflow (outflow)	(1,435,597)	3,428,007
Cheques issued in excess of funds on deposit, beginning of period	(920,082)	(2,623,396)
Cheques issued in excess of funds on deposit, end of period	(2,355,679)	804,611
Supplemental cash flow information:		
Interest paid	253,321	233,159
Income taxes paid	–	–

See accompanying notes to the unaudited interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three month period ended March 31, 2008

1. Nature of 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.

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, 2007. 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 unaudited consolidated financial statements and the reported amount of revenues and expenses during the period. These interim financial statements have been prepared using the same accounting policies and methods of application as the audited financial statements of the Fund for the year ended December 31, 2007, except as described in Note 3. Interim results are not necessarily indicative of the results expected for the fiscal year.

(a) Basis of presentation

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

(b) Income taxes

As the Fund allocates all of its taxable income and taxable capital gains to Unitholders, the Fund itself is not subject to current income taxes until 2011.

3. Adoption of new accounting policies

(a) Inventories

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3031, Inventories. There have been no changes to the financial statements as a result of the adoption of this section.

(b) Financial instruments

Effective January 1, 2008, the Fund adopted CICA Section 1535 "Capital Disclosure", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation".

Section 1535 establishes guidelines for the disclosure of information on the Funds capital and how it is managed. This enhanced disclosure enables users to evaluate the Funds objectives, policies and processes for managing capital.

Section 3862 and 3863 replaced the existing Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how the Fund manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments.

4. Leaseholds and equipment

	March 31, 2008			December 31, 2007		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Leasehold improvements	3,036,892	925,716	2,111,176	2,952,814	809,196	2,143,618
Forklifts	486,183	74,517	411,666	467,644	66,414	401,230
Furniture and fixtures	284,747	52,624	232,123	268,698	45,907	222,791
Equipment	557,964	109,492	448,472	519,460	96,593	422,867
Computer hardware and software	2,242,735	1,117,431	1,125,304	2,218,929	952,384	1,266,545
	6,608,521	2,279,780	4,328,741	6,427,545	1,970,494	4,457,051

5. Intangible assets

	March 31, 2008			December 31, 2007		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Coast brand name	3,369,000		3,369,000	3,369,000	–	3,369,000
Supplier relationships	3,129,000	867,428	2,261,572	3,129,000	789,203	2,339,797
Customer relationships - builders/developers	10,060,000	1,859,241	8,200,759	10,060,000	1,691,574	8,368,426
Customer relationships - property managers	1,900,000	351,163	1,548,837	1,900,000	319,495	1,580,505
Retail customer list	478,000	132,501	345,499	478,000	120,552	357,448
Favourable leases	565,000	160,645	404,355	565,000	146,158	418,842
	19,501,000	3,370,978	16,130,022	19,501,000	3,066,982	16,434,018

6. Credit facilities

	March 31 2008 $	December 31 2007 $
Operating loan (a)	–	3,673,974
Term loan (b)	20,000,000	20,000,000
Deferred financing costs	(14,749)	(30,934)
Term loan	19,985,251	19,969,066
Term revolving loan (c)	–	–
	19,985,251	19,969,066
	19,985,251	23,643,040

a) The Fund has available a $10,000,000 3-year revolving loan (the "Operating Loan"). The Operating Loan is available for working capital requirements, capital expenditures and general corporate purposes. Interest, terms and security are the same as for the Term Loan. Payments are monthly for interest only.

b) The Fund has utilized a $20,000,000 3-year non-revolving loan (the "Term Loan") due July 31, 2010. The Term Loan was made available for the financing of working capital, leaseholds and equipment. Advances bear interest at the lender's prime rate plus 0% to 0.25%, when borrowed directly, or at the banker's acceptance rate plus 1.00% to 1.50% when a banker's acceptance facility is utilized, based on the ratio of senior debt to earnings before interest, taxes, depreciation and amortization, calculated on a quarterly basis. The Term Loan is secured by a general security agreement covering all assets of the Fund, subject to the security provided to a major supplier as noted below. Payments are monthly for interest only.

c) The Fund has available a $13,500,000 3-year revolving term loan (the "Revolving Term Loan") due July 31, 2010. The Revolving Term Loan is available for business acquisitions. Interest, terms and security are substantially the same as for the Term Loan.

Third party security interest

Accounts payable, net of rebates, due to a major supplier are secured by inventory on hand that was acquired from the supplier, which totaled $2,121,729 as at March 31, 2008 ($1,784,466 as at December 31, 2007).

7. Non-controlling interest

(a) Coast Exchangeable Units

	$
Non-controlling interest - December 31, 2007	31,159,016
Interest in earnings	678,921
Distributions to non-controlling interest	(1,079,068)
Non-controlling interest, March 31, 2008	30,758,869

CWAL Investments Ltd. has retained a 34.97% interest in Coast through ownership of 100% of the issued, and outstanding, Coast Exchangeable Units.

The Class A LP Units of Coast, representing a 65.03% interest in Coast, held indirectly by the Fund, and the Coast Exchangeable Units have economic and voting rights that are equivalent in all material respects.

The holders of the Coast Exchangeable Units, at their option, are entitled to effectively exchange all or a portion of their Coast Exchangeable Units for up to 3,509,166 Units of the Fund, representing 34.97% of the issued and outstanding Units of the Fund on a fully diluted basis.

(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 Coast Exchangeable Units were issued 3,509,166 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 Coast 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, 2008 and December 31, 2007	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.

The determination to declare and make payable distributions from the Fund are at the discretion of the Board of Trustees of the Fund and, until declared payable by the Board of Trustees of the Fund, the Fund has no contractual requirement to pay cash distributions to unitholders of the Fund.

9. Commitments

Coast leases business premises in Vancouver, Surrey, Kelowna, Victoria, Coquitlam, Abbotsford, Nanaimo, Calgary, Edmonton, Red Deer, 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	$
2009	2,657,491
2010	2,599,911
2011	1,620,020
2012	1,285,948
2013	1,219,643
	9,383,013

10. Capital management

The Fund's objectives when managing capital are:

a) to safeguard the Fund's ability to continue as a going concern, so that it can continue to provide returns for Unitholders and benefits for other stakeholders

b) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk

In the management of capital, the Fund includes Unitholder equity, non-controlling interest and bank financing in the definition of capital. The Fund manages the capital structure and may make adjustments to it in light of changes in economic conditions or business opportunities. In order to maintain or adjust the capital structure the Fund may incur additional bank financing or issue additional units. The Fund has established a term revolving facility (Note 6) to assist with the financing of business acquisitions.

The Fund's Board of Trustees determines the level of distributions. To date the strategy has been to maintain a consistent level of monthly distributions to maximize the cash return to the Unitholders while retaining an appropriate amount of capital to fund our business growth and ongoing investments in property, plan and equipment.

The Fund uses temporary bank financing during the year as cash flows are required to finance the cyclical nature of our business. The Fund is required to comply with certain financial covenants under its credit facilities (Note 6). At March 31, 2008, the Fund is in compliance with these financial covenants.

11. Financial risk management

(a) Fair value

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits, 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 interim consolidated financial statements. The operating and term loans approximate fair value because they carry market interest rates.

(b) Credit risk

Coast is exposed to credit risk only with respect to uncertainties as to the timing of collectability of accounts receivable. The customers are large and located throughout Western Canada, with no material concentration. Coast mitigates credit risk through standard credit reference checks, registering security documents where appropriate and ongoing monitoring of the counter party's financial condition. An allowance has been made to provide for the possible non-collection of accounts which are considered to be doubtful.

Included in accounts receivable are $1,077,123 in other receivables which are mainly due from our suppliers as a result of product rebate programs.

(c) Interest rate risk

Coast's bank financing arrangements bear interest based on the bank prime lending rates and are subject to fluctuations in that rate. The interest rate on the term loan is fixed until June 23, 2008, as noted below, at which time it will revert to a floating rate based on the bank prime lending rate. There is a potential annual increase or decrease in the Fund's income of approximately $200,000 with each per cent change in the bank prime rate.

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 derivative financial instrument previously qualified for hedge accounting. In 2007 the Term Loan maturity was extended to July 31, 2010, and as a result, the hedge ceased to be effective. There was no material effect on the financial statements for the period ended March 31, 2008.

(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 at about 2% of our cost of sales, therefore Coast considers this risk to be low.

(e) Concentration risk

During the period ended March 31, 2008, purchases by Coast from its three largest suppliers totaled $18,486,956 or 73% of cost of sales. At March 31, 2008 amounts payable to these suppliers included in accounts payable and accrued liabilities net of rebates receivable totaled $5,279,669 ($3,596,410 as at December 31, 2007).

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

(f) Liquidity risk

The Fund has a planning and budgeting process to determine the cash flow required to support the Fund's normal operating and expansion plans. The Fund ensures that there are sufficient committed loan facilities in place to meet its short-term business requirements taking into account its anticipated cash flows from operations and planned distributions to Unitholders. The $10 million operating loan can be drawn upon at any time to fund general operating costs. The $13.5 million revolving term loan can be utilized to finance acquisitions.

12. Related party transactions

Coast leases six of its branch locations (Vancouver, Kelowna, Langley, Coquitlam, Victoria and Calgary) and two of its warehouses (Vancouver and Victoria) from a company affiliated with the former principal shareholders of the acquired business who have a non-controlling interest in the Fund (see Note 7). The total amount paid to related parties for the 3 months ended March 31, 2008 was $284,271. 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.

13. Net change in non-cash working capital

	3 months ended March 31 2008 $	3 months ended March 31 2007 $
Accounts receivable	205,757	645,722
Inventory	1,129,588	(438,913)
Prepaid expenses	(110,248)	(96,631)
Accounts payable and accrued liabilities	731,772	3,260,919
Customer deposits	995,587	568,380
Deferred warranty revenue	26,402	40,395
	2,978,858	3,979,872

14. Segmented information

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

15. Long-term incentive plan

The fund adopted a long-term incentive plan ("LTIP") in 2007. As at March 31, 2008, the Fund has a liability in the amount of $38,653 and has recorded no expense in the period in respect of the LTIP as none of the awards were vested.

16. Subsequent events

On April 21, 2008 the Fund declared its thirty-fourth consecutive monthly distribution. The distribution, in the amount of $0.1025 per Unit, was for the period from April 1, 2008 to April 30, 2008 to Unitholders of record of the Fund on April 30, 2008 to be paid May 15, 2008. 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 LP: Management

R. Blain Lawson
President and Chief Executive Officer

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

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

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

Investor Relations

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Vancouver, BC

Trust Units Listed

Toronto Stock Exchange
Trading Symbol: CWA.UN

Registrar and Transfer Agent

Computershare Investor Services Inc.

Coast Wholesale Appliances
"Innovative Products for Builders, Designers & Home Owners"

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