

UBS

Unique Broadband Systems, Inc.

ANNUAL REPORT 2005

Report to Shareholders
August 31, 2005



WIRELESS COMMUNICATIONS SOLUTIONS



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Dear fellow shareholders,

Your company continues to move towards introducing the next major offering in communications: Mobile Multi Media. With our subsidiary, Look Communications Inc. (Look), we are bringing together the necessary components needed to make mobile video and television, as well as other Mobile Multi Media services, a reality in the Ontario and Quebec marketplace.

The Canadian cellular market has recorded some impressive growth in recent times; however the cellular penetration in this country remains well behind other world markets. Mobile video services, including television, are expected to be the driving force of future growth for the industry. In countries such as Korea and Japan, the customer offerings of voice, data and video, which represent significant growth and future opportunities for additional services, are used by customers now. As the technologies of telecommunications and broadcasting continue to converge, we believe these types of offerings will represent enormous advantages for Canadians.

International equipment manufacturers and network and content providers are starting to recognize the importance of Mobile Multi Media services. We continue to maintain a unique position in the Canadian marketplace, with both licensed spectrum and broadcast license capabilities. This means we will provide live digital TV picture quality in your hand similar to that received in your home. We are testing new devices that will be able to receive more than 80 channels of live video broadcasts, more than 100 channels of digital audio broadcast and specialty video and data services.

We will develop these new mobile services at the same time we continue to strengthen your Company's performance and service offerings. Our restructuring continues to improve cash flows and prepare the necessary platform for the future. We continue to reduce costs and improve our operating margins. In 2005, Look generated positive cash flow and put into place the necessary strategic and human resources needed for the future.

In August 2004 we obtained a seven-year extension of our broadcast license from the Canadian Radio-television and Telecommunications Commission (CRTC). The licensed spectrum, together with this broadcast license, allows us to provide extensive program content and high speed internet services, which will form the cornerstones for our Mobile Multi Media services.

We have also expanded our high speed digital wireless signal distribution network by deploying the latest technology at key sites such as the CN Tower in Toronto, the Mont-Royal Tower in Montreal and at towers in Vaughan, Barrie and Aurora, Ontario. The enhancements to our distribution network will allow us to focus on the provision of higher margin services such as high speed access for small and medium sized companies.

Our continuing work on the design and expansion of our existing network, coupled with the beta testing of sites and new hand-held wireless devices for Mobile Multi Media, will be our focus in the year ahead.

Revenue has declined with the reduction of Look's customer base to 87,000 subscribers. The reduction in subscribers was anticipated, due to customer migration of dial-up Internet customers to high speed services and aggressive multiple service bundling campaigns by our competitors. However, Look has improved its average revenue per user to \$32.46 per month through a focus on the provision of higher value services. Operating expenses at Look have been reduced on an annualized basis from \$25.4 million to \$19.3 million, a 24% decline over the last twelve months.



Our present fixed service video offerings have been simplified into three new membership options that represent significant value to our customers. The simplified customer offerings will be broadened in 2006 to include high speed internet services.

Today's customer has experienced the benefit of personalization and wants more than voice. The customer wants, and already partially has personalized entertainment and information devices and these services must be mobile to be truly personalized. When the three conditions of **MOBILITY**, **PERSONALIZATION** and the **INTERNET** are achieved, the customer will have everything they want and need.

By enhancing and simplifying our present fixed service offerings, we are positioning the Company to be able to offer our customers Mobile Multi Media services. The beta testing of our hand-held units has shown us a technological capability that has generated excitement for the potential of new services not presently available to customers. Mobile Multi Media offering mobile television and video services is at hand. With the continued dedication of our employees and directors, and support of our shareholders, we will fundamentally change the broadcast and telecommunication services being offered to consumers in Canada.

I would like to thank our customers, employees and directors for their dedication and passion, and I would like to thank you, our shareholders, for your perseverance and support.

Gerald T. McGoey

Chairman and Chief Executive Officer

UNIQUE BROADBAND SYSTEMS, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

(in thousands of dollars, except shares and per share amounts)
Twelve months ended August 31, 2005 and fifteen months ended August 31, 2004

1. INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") relates to the consolidated financial condition of Unique Broadband Systems, Inc. (the "Company") at August 31, 2005 and August 31, 2004 and consolidated results of operations for the year ended August 31, 2005 and the fifteen month period ended August 31, 2004. This MD&A should be read in conjunction with the Company's consolidated financial statements and the notes to the consolidated financial statements contained in the August 31, 2005 annual report to shareholders and the financial statements and the notes to the financial statements contained in the August 31, 2005 annual report to Look Communications Inc ("Look") shareholders and that company's MD&A. The Company's consolidated financial statements and the notes thereto have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that would be necessary should the Company be unable to continue in business. The Company's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations and successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time.

Unless specifically stated, the references to "UBS" include Unique Broadband Systems, Inc. and its wholly owned subsidiaries and references to the "Company" include UBS and Look, a company controlled by UBS.

2. CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A includes forward-looking statements concerning the future operations, financial performance and conditions of UBS and Look. When used in this MD&A, the words "intend", "project", "may", "will", "expect", "anticipate", "estimate", "plan", "continue", "believe", and similar or comparable terminology are intended to identify forward looking statements, although not all forward looking statements contain such words. The Company cautions that all forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks and uncertainties include but are not limited to the timing of acquisitions and expansion opportunities, technological change that may impact the Company's capital expenditures and results of operations, and competitive factors that may alter the timing and amount of the Company's capital expenditures. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. For a more detailed discussion of factors that may affect actual results, see "Risks and Uncertainties" below.

3. BUSINESS OVERVIEW

Our Company

The Company (TSX Venture: UBS) is a publicly listed Canadian company that has investments in broadband assets and a 51% equity interest in Look (TSX Venture: LOK.MV and LOK.SV). With licensed spectrum and broadcast licenses held through its subsidiary Look, the Company is a Canadian digital television broadcaster and broadband wireless service provider.

In October 2003, UBS sold its engineering and manufacturing business ("E&M Business") to a new private company owned by a group of former UBS engineers. As a result of this divestiture, the Company reclassified its prior period results for the E&M Business as "Discontinued Operations" in its financial statements. This sale completed UBS' restructuring plan, designed to reduce costs, conserve cash and focus the resources of UBS on its investment in Look.

Look is a multimedia service provider delivering a range of communications services to residential and business customers including wireless digital television distribution, dial-up and high-speed wireline and wireless Internet access, co-location facilities and Web-related services, including Web hosting and domain name registration.

Look provides its digital video and wireless Internet services using a Multipoint Distribution System (MDS) technology, operating with 96 MHz of capacity in the 2.5 GHz band. Look has exclusive use of these frequencies since it received licenses from the Canadian Radio-television and Telecommunications Commission (CRTC) as a "broadcast distribution undertaking" in August 1997 for Southern Ontario and in 1998 for Quebec and Eastern Ontario. Look's licenses were

subsequently converted to a single license and were further extended in August 2004 for another 7 years to 2011. Its coverage areas in Ontario and Quebec include the major metropolitan markets of Toronto, Montreal, Hamilton and Ottawa and many other cities from London to Quebec City.

The UBS head office is located in Milton, Ontario and UBS currently has seven employees. Look's registered office is located in Toronto, and its main operations are in Montreal, Quebec and Milton, Ontario. As at August 31, 2005, Look had 147 full-time and part-time employees.

Our Strategy

On December 8, 2004 Look and UBS announced that they had signed a Memorandum of Understanding whereby they plan to jointly launch hand-held mobile video services in Ontario and Quebec. The Mobile Multi Media (MMM) network will first be launched in Toronto and Montreal and will eventually cover the population-dense corridor from Windsor to Quebec City.

The MMM network will provide over 80 channels of live video, data carousel broadcasting channels and over 100 channels of digital audio broadcasting. Beta test sites will be completed in early 2006 while new handheld devices, the size of a normal personal digital assistant ("PDA"), are being developed and will be available in 2006, with the service launch planned for later in the year.

Customers will be able to use these new Mobile Multi Media devices to organize their schedule, watch live news, sports, entertainment and traffic reports and receive data casting channels in the palm of their hand. In addition to receiving live video, audio and data capability, these handhelds are capable of storing substantial numbers of movies, songs and photos.

Mobile Video is fast becoming a reality in North America with a number of providers developing offerings in the United States. The technologies that the Company is developing for today's growing market of wireless subscribers and video and audio users will enable Look to offer customers in Ontario and Quebec the mobile services they have come to expect in their daily activities.

While the mobile strategy noted above is being developed, the Company will seek to achieve profitable growth from its existing product offerings within Ontario and Quebec. This strategy is designed to maximize cash flow and return on existing investment.

4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Continuing Operations

Effective November 30, 2003, UBS received final approval from the CRTC to acquire control of Look, which it did by exercising its option at the end of December 2003. Look is now a 51%-owned subsidiary of UBS and is fully consolidated for financial reporting purposes, effective November 30, 2003. For the first two quarters of fiscal 2004, the Company accounted for Look on an equity basis.

Discontinued Operations

During the second quarter of fiscal 2004, UBS' divestiture of its engineering and manufacturing business resulted in the reclassification of that business as "Discontinued Operations". Accordingly, all revenues and costs associated with that business and the divestiture have been reclassified from September 1, 2003 as "Discontinued Operations" in the Consolidated Statement of Operations and Deficit and Cash Flow Statement.

Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended August 31, 2005 include Look's balance sheet as at August 31, 2005 and its statements of operations and cash flows for the same period. The consolidated financial statements of the Company for the fifteen-month period ended August 31, 2004 include Look's balance sheet as at August 31, 2004 and its statements of operations and cash flows for the nine-month period commencing December 1, 2003 and ending on August 31, 2004. For the six-month period from June 1, 2003 to December 1, 2003, the Company accounted for Look using the equity method. All significant inter-company transactions and balances have been eliminated.

UBS' share of ownership in Look will fluctuate as convertible debentures issued by Look are converted into multiple and subordinate voting shares. If all debentures are converted, UBS will still have the ability to control at least 51% of Look by the conversion of its debentures, and as such, the Company will continue to consolidate its interest at 51% irrespective of its actual share holding in Look at the end of each reporting period.

5. DIVESTITURE OF ENGINEERING & MANUFACTURING BUSINESS ("E&M BUSINESS")

On October 8, 2003, UBS closed a transaction to sell its E&M Business. This business was sold to a new private company owned by former UBS engineers. As consideration, UBS holds a three-year secured loan of \$2,000 bearing interest at 8%. Under certain circumstances, including in the event of default, UBS could acquire a 66.67% ownership stake in the new company. Additionally, UBS may be entitled to further proceeds upon any re-sale of the new company. The accounting impact of the divestiture was a one-time loss of \$6,331 reported in the Company's second quarter operating results for 2004. Included in this loss was the full provision for the \$2,000 secured loan as these proceeds will only be recognized upon receipt. In September 2004, UBS, as agreed to in the original transaction, subordinated this loan in favour of a credit facility provided to the purchaser of the E&M Business by a large financial institution.

6. KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators, which are outlined below.

Subscriber Counts

The Company determines the number of subscribers of its services based on active subscribers. When subscribers are deactivated either voluntarily or involuntarily for non-payment, they are considered to be deactivations in the period the services are discontinued. In the first quarter of 2005, the Company introduced enhanced reporting classification for stratifying subscriber and revenue categories, which more clearly reflects the emergence of data products. The previous period's subscriber and revenue categories have been reclassified to conform to this current presentation. The Company now reports subscribers and revenues in three categories: data services, broadcast distribution, and storage revenues. Data Services includes dial-up, high-speed wireline and wireless Internet access subscribers. Broadcast distribution includes customers subscribing to the provision of digital television services. Storage includes hosting services, co-location services and domain name registrations.

These enhancements to the classification of subscriber and revenue categories had no impact on the reported total revenues, expenses or EBITDA in the current or previous periods.

Subscriber Churn

Subscriber churn is calculated on a monthly basis. For any particular month, subscriber churn represents the number of subscribers deactivating in the month divided by the aggregate number of subscribers at the beginning of the month. When used or reported for a period greater than one month, subscriber churn represents the monthly average of the subscriber churn for the period.

Service Revenue

Service revenue is total revenue less revenue received from the sale and installation of equipment. The sale of such equipment does not materially affect the Company's operating income as the Company generally sells equipment to its customers at a price approximating cost to facilitate competitive pricing at the retail level. Accordingly, the Company believes that service revenue is a more relevant measure of its ability to increase its EBITDA as defined below.

Average Revenue per User ("ARPU")

ARPU is calculated on a monthly basis. For any particular month, ARPU represents monthly service revenue divided by the average number of subscribers during the month. ARPU, when used in connection with a particular type of subscriber, represents monthly service revenue generated from these customers divided by the average number of these subscribers during the month. When used or reported for a period greater than one month, ARPU represents the monthly average of the ARPU calculations for each of the months in the period. The Company believes ARPU helps indicate whether the Company has been successful in attracting and retaining higher usage subscribers.

Carrier Charges and Cost of Sales

Carrier charges and cost of sales include the costs of data distribution on common carriers (telephone companies) for Internet services, programming for video services, Web-related services costs, customer premise equipment for re-sale to customers and installation fees. Programming costs include the service fees paid to networks and other distributors to obtain the video and audio signals for distribution to subscribers. While the cost of data distribution and web related services vary with the number of subscribers, programming costs vary directly with the number of channels carried and the number of subscribers.

Gross Margin Percentage

The Company calculates gross margin percentage by dividing gross margin, excluding equipment and installations, by service revenue. Service revenue is used in the calculation, instead of total revenue, because service revenue excludes the impact of the sale and installation of equipment, which is generally sold at a price that approximates cost.

Cost of Acquisition per Subscriber ("COA")

COA, which is also often referred to in the wireless communications industry as "subscriber acquisition cost" or "cost per gross addition", is calculated by dividing total sales and marketing for the period by the total number of gross subscriber activations. Subscriber activations include data and broadcast activations and hosting activations.

Earnings before Interest and Financing Charges, Taxes, Depreciation and Amortization ("EBITDA")

We define EBITDA as earnings before interest expenses, income taxes, depreciation and amortization. EBITDA is a standard measure used in the communication industry to assist in understanding and comparing operating results and is often referred to by our peers and competitors as operating profit or OIBDA (operating income before depreciation and amortization). Management views EBITDA as an important measure of operating performance of the Company; however since EBITDA does not have any standardized meaning prescribed by Canadian GAAP, it may not be considered in isolation of GAAP measures such as (1) net loss, as an indicator of operating performance or (2) cash flows from operating, investing and financing activities, as a measure of liquidity. We believe, however, that it is an important measure as it allows us to assess our ongoing business without the impact of depreciation or amortization expenses as well as non operating factors. It is intended to indicate our ability to incur or service debt and invest in capital assets. This measure is not a defined term under Canadian GAAP and is unlikely to be comparable to similar measures presented by other issuers.

7. RECENT WIRELESS INDUSTRY TRENDS

Focus on Customer Retention

The wireless communications industry's current market penetration in Canada is approximately 47% of the population, compared to approximately 62% in the U.S. and approximately 90% in the United Kingdom. The Canadian Wireless industry is forecast to grow by 3 to 4%, a figure lower than historical levels. This slowing growth has and will continue to drive the increased focus on customer satisfaction, the sale to customers of new data and value added service features and customer retention. Due to more aggressive competition, customer satisfaction and retention will become even more critical in the future.

Demand for Sophisticated Data Applications and Migration to Next Generation Wireless Technology

The ongoing development of wireless data transmission technologies has led manufacturers to create wireless devices with increasingly advanced capabilities, including access to e-mail and other information technology platforms, news, sports, financial information and services, shopping services, and other functions. Increased demand for sophisticated wireless services, especially data communications services, has led wireless providers to migrate towards the next generation of digital voice and data networks. These networks are intended to provide wireless communications with wire line quality sound, far higher data transmission speeds and streaming video capability. These networks are expected to support a variety of data applications, including high-speed Internet access, multimedia services and seamless access to corporate information systems, such as e-mail and purchasing systems. As discussed above the Company has begun testing new technology enabling MMM. It is expected that a demonstration site will be in service in early 2006 at the Milton transmitter site in the Greater Toronto Area.

Development of Additional Technologies

The development of additional technologies and their use by consumers may accelerate the widespread adoption of third generation ("3G") digital voice and data networks. One such example is WiFi, which allows suitably equipped devices, such as laptop computers and personal digital assistants, to connect to a wireless access point. The wireless connection is only effective within a range of approximately 100 meters and at theoretical speeds of up to 54 megabits per second. To address these limitations, WiFi access points must be placed selectively in high-traffic locations where potential customers frequent and have sufficient time to use the service. Technology companies are currently developing additional technologies designed to improve WiFi and otherwise utilize the higher data transmission speeds found in a 3G network. Future enhancements to the range of WiFi service, and the networking of WiFi access points may provide additional opportunities for mobile wireless operators to deploy hybrid high-mobility 3G and limited-mobility WiFi networks, each providing capacity and coverage under the appropriate circumstances.

8. OVERVIEW OF GOVERNMENT REGULATION AND REGULATORY DEVELOPMENTS

Canadian Radio-television and Telecommunications Commission (the "CRTC")

Canadian broadcast undertakings are regulated by the CRTC pursuant to and in accordance with requirements of the Broadcast Act (Canada) (the "Act"). Under the Act, the CRTC regulates all broadcasters in Canada, including over-the-air broadcasters, MDS providers such as Look, cable TV operators, and satellite TV operators. Look's license was extended in August 2004 for another 7 years to 2011. Its coverage areas in Ontario and Quebec include the major metropolitan markets of Toronto, Montreal, Hamilton and Ottawa and many other cities from London to Quebec City.

Industry Canada

The awarding of spectrum and licences for data services in Canada are under the jurisdiction of Industry Canada, a department of the Government of Canada. Industry Canada is responsible for telecommunications policy in Canada and has specific jurisdiction under the Radio Communication Act (Canada) to establish radio licensing policy and award radio licences for radio frequencies, which are required to operate wireless communications systems.

Spectrum Licence Issues

In May 2004, Industry Canada issued a consultation paper on the re-farming of the MCS/MDS spectrum in the 2500-2690 MHz band. The purpose of the paper was to solicit input from those parties interested in the future uses of this band for both digital broadcasting and broadband wireless access. At approximately the same time, the Federal Communications Commission in the USA issued a Report and Order that substantially restructured this band in the USA. Look responded to the Industry Canada discussion paper and recommended that Canada adopt a policy which would provide alignment with the spectrum allocations in the USA. Look believes that realigning the spectrum will provide benefits to both its digital broadcast and wireless broadband access businesses. It had been expected that Industry Canada would issue the results of the consultation in the early fall of 2005. At this time we have no indication as to when the results will be issued.

9. CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Operating Results and Financial Position are made with reference to the Company's consolidated financial statements and Notes thereto, which have been prepared in accordance with Canadian GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Company's financial statements and the reported amount of revenues and expenses during the period. These estimates are based on management's historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of revenues, expenses, assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The Audit and Corporate Governance Committee reviews the Company's accounting policies. The Audit and Corporate Governance Committee also reviews all quarterly and annual filings and recommends adoption of the Company's quarterly and annual financial statements to the Company's Board of Directors. For a full description of all significant accounting policies see Note 2 to the consolidated financial statements.

The Company has identified the accounting policies outlined below as critical to its business operations and an understanding of its operations.

Revenue Recognition

Service revenue, comprised of data, broadcast and storage revenues, is presented net of discounts granted to new customers as incentives. Data services revenue is earned primarily from monthly and annual subscriptions from individuals and businesses for access to the Internet. Broadcast distribution revenue is earned from the provision of digital television services to residential and business customers. In addition, the Company earns Storage revenue by providing Web hosting and other value-added services such as domain name registration and Web server co-location. Service charges billed or paid for in advance are recorded as revenue when services are provided. Unearned revenue consists of prepayments under certain customer contracts and is amortized to revenue over the term of the contract.

Equipment sales and installations revenue is earned from the sales of digital receivers and Internet equipment to customers and the installations of such equipment. Revenue from the sale of receiving equipment and modems is recognized in the period in which the services are activated. Installation fees are now classified as sales and equipment revenue. Previously, these amounts were classified as marketing expenses. Prior periods have been restated to reflect the new classification.

Government Assistance

Government assistance is recorded as an expense reduction in General and Administrative Expenses in the year that the expenditure is incurred and when reasonable assurance exists that the Company has complied with the terms and conditions of the approved grant program and where there is reasonable assurance that the amounts will be received. The government grants available will expire after December 31, 2006.

Allowance for Doubtful Accounts

A significant portion of the Company's revenue is earned from selling on credit to business and residential subscribers. The allowance for doubtful accounts is calculated by taking into account factors such as the Company's historical collection and write-off experience, the number of days the subscriber is past due and the status of a subscriber's account with respect to whether or not the subscriber is continuing to receive service. As a result, fluctuations in the aging of subscriber accounts will directly impact the reported amount of bad debt expense.

Depreciation Policies and Useful Lives

The Company depreciates the cost of capital assets over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account wireless industry trends and company-specific factors, including changing technologies. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company might have to shorten the estimated life of certain capital assets which could result in higher depreciation expense in future periods.

Impairment of Long-Lived Assets

The Company performs its annual impairment tests on long-lived assets, which consists of capital assets in the fourth quarter of each year, and more frequently if events or changes in circumstances indicate that an impairment loss may have been incurred. The Company estimates the useful lives of capital assets based on the nature of the asset and historical experience. The valuation of long-lived assets is based on the amount of future net cash flows the capital assets are estimated to generate. Revenue and expense projections are based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the valuation of the capital assets resulting in an impairment charge. There has been no impairment identified in fiscal 2005 or fiscal 2004.

Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The Company recognizes liabilities for contingencies when a loss is probable and capable of being reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in the recognition of additional liabilities.

Related Party Transactions

All material related party transactions are reviewed by the Audit and Corporate Governance Committee of the Company's Board of Directors.

Stock-Based Compensation

The Company has a stock option incentive plan, which is described in note 9(c) of the consolidated audited financial statements for the twelve months ended August 31, 2005. The Company accounts for all stock-based payments to employees and non-employees using the fair value based method. Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Consideration paid by employees on the exercise of stock options is recorded as share capital. During the twelve month period ended August 31, 2005, the Company recorded stock-based compensation expense of \$385 [August 31, 2004 - \$109] related to the options granted.

10. SELECTED ANNUAL INFORMATION

A summary of the Company's selected annual information for the past three reporting periods is set out in the table below. Significant events detailed in sections four and five above have caused major variations in the reported results and make period on period comparisons very difficult.

	12 months to August 31, 2005	15 months to August 31, 2004	12 months to May 31, 2003
Service and sales revenue	37,956	32,477	—
Loss from continuing operations	4,475	5,086	2,112
Loss per share (basic and diluted) from continuing operations	0.04	0.05	0.02
Net loss	4,251	13,655	15,943
Net loss per share (basic and diluted)	0.04	0.13	0.16
Total assets	32,897	40,246	26,586
Long term liabilities	1,253	1,242	—

The above financial results represent the performance of the Company at three distinctly different phases in its evolution - the "acquisition" phase, the "restructuring" phase and the "transitional" phase.

- a) 2003 represents the "acquisition" phase when UBS reclassified its operations and cash flow from the E&M Business as discontinued operations, and acquired shares of Look, which was accounted for on the equity basis.
- b) 2004 was a "restructuring" phase during which time UBS
 - i) sold the E&M Business,
 - ii) acquired control of Look and consolidated Look's operating and cash flow results for nine months from December 1, 2003 to August 31, 2004,
 - iii) changed its year end to August 31 to facilitate common reporting periods with Look,
 - iv) restructured the operations of both UBS and Look, and
 - v) outlined the new future strategy of MMM.
- c) 2005 represents the "transitional" phase of the business and consolidates 12 months of Look's results.

The Company will continue to transition to a Mobile Multi Media service provider in Ontario and Quebec.

11. OPERATING RESULTS FOR FISCAL 2005

The net loss for the twelve-month period ended August 31, 2005 was \$4,251 or \$0.04 per common share compared with the net loss of \$13,655 or \$0.13 for the fifteen-month period ended August 31, 2004. The improved position over the previous period is a result of the divestiture of the E&M Business and the improving operations of Look.

Continuing operations:

The net loss from continuing operations for the twelve-month period ended August 31, 2005 was \$4,475 or \$0.04 per common share compared with the net loss of \$5,086 or \$0.05 for the fifteen-month period ended August 31, 2004.

The service and sales revenue, cost of sales and gross margin percentage by segment for the reporting periods are tabled below:

	Twelve months ended August 31, 2005			Fifteen months ended August 31, 2004		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Service revenues						
Data services	15,162	7,161	52.8%	12,777	5,499	57.0%
Broadcast distribution	16,556	9,675	41.6%	14,975	8,799	41.2%
Storage revenues	5,192	1,790	65.5%	3,958	1,682	57.5%
Total service revenues	36,910	18,626	49.5%	31,710	15,980	49.6%
Sales and Installations	1,046	983		767	295	
Total service & sales revenue	\$37,956	\$19,609		\$32,477	\$16,275	

The comparative figures for 2004 include Look's results for nine months, from December 1, 2003, the date from which Look was consolidated, to August 31, 2004, while the current period includes Look's results for the twelve months ended August 31, 2005.

Service and sales revenue for the period ended August 31, 2005 was \$37,956 and represent Look's sales of data services, broadcast distribution services, storage services and equipment sales for twelve months ended August 31, 2005. The 2004 comparative includes nine months of service and sales revenue totalling \$32,477. Revenue is net of discounts granted to new customers. Data services revenue is earned from monthly and annual subscriptions from individuals and businesses for access to the Internet. Broadcast distribution revenue is earned from the provision of video services to residential and business customers. Storage revenue is received from web hosting, domain name registrations and web-server co-location. Equipment sales revenue is earned from the sale of digital receivers and Internet equipment to customers. Average monthly revenue declined from \$3,608 in 2004 to \$3,163 in 2005 because of lower number of subscribers. The biggest decline was in Internet dial-up which went from average monthly revenue of \$1,100 in 2004 to \$600 per month in 2005. ARPU increased year-over-year by \$2.67 or 9% to \$32.46 reflecting the continued activation and retention of higher valued wireless customers, increased penetration of enhanced services, a \$2 per month price increase in video services and the high churn in the low priced dial-up segment.

Carrier charges and cost of sales includes the cost of data distribution on common carriers (telephone companies) for Internet services, the costs of programming for video services and the cost of the customer premise equipment for re-sale to customers. Data and equipment costs vary with the number of Internet and Web-related services subscribers. Programming costs, which include service fees paid to networks and other distributors to obtain the video and audio signals for distribution to subscribers, vary directly with the number of channels carried and the number of subscribers. The total cost in 2005 relates to Look's sales for the twelve months ended August 31, 2005 compared with nine months sales included for the fifteen months ended August 31, 2004.

Total gross margin percentage held constant at around 50% reflecting the variable nature of the cost of sales. The decline in gross margin percentage for data services was due to a one-time gain of \$680 in 2004 that arose from the settlement of a disputed item, while the improvement in storage gross margin percentage is due mainly to improvements in services from a major supplier.

Subscriber statistics

	Twelve months ended August 31, 2005	Fifteen months ended August 31, 2004	% change on 2004
Data Services			
Dial UP services			
Gross additions	5,337	7,299	
Net reduction	-15,159	-13,870	
Total subscribers	34,318	49,477	-30.6%
ARPU	\$17.04	\$17.61	-3.2%
Churn	5.0%	4.8%	-0.2%
High Speed Services			
Gross additions	8,291	5,552	
Net additions	2,205	1,223	
Total subscribers	13,021	10,816	20.4%
ARPU	\$44.76	\$47.73	-6.2%
Churn	3.9%	4.4%	0.6%
Total Data Services			
Gross additions	13,628	12,851	
Net reductions	-12,954	-12,647	
Total subscribers	47,339	60,293	-21.5%
ARPU	\$23.70	\$21.45	10.5%
Churn	4.7%	4.7%	0.0%
Broadcast Distribution			
Gross additions	5,355	8,379	
Net reductions	-8,891	-5,807	
Total subscribers	26,774	35,665	-24.9%
ARPU	\$43.69	\$43.29	0.9%
Churn	4.4%	4.4%	0.0%
Storage Services			
Gross additions	5,498	3,280	
Net additions / (reductions)	311	-102	
Total subscribers	12,473	12,162	2.6%
ARPU	\$27.99	\$28.26	-1.0%
Churn	3.5%	3.1%	-0.4%
Grand Total			
Gross additions	24,481	24,510	
Net reductions	-21,534	-18,556	
Total subscribers	86,586	108,120	-19.9%
ARPU	\$32.46	\$29.89	8.6%
Churn	4.4%	4.4%	0.0%

The gross and net additions/reductions for 2004 include Look's results for the nine months from December 1, 2003 to August 31, 2004.

Subscriber counts

The decrease in subscribers for the twelve months ended August 31, 2005, of 19.9% or 21,534, is due largely to the expected decline in our residential and business dial-up customers. In addition, Look was disadvantaged by aggressive bundling marketing campaigns of competitors and the longer selling cycle for Look's business services. However, within data services, high-speed Internet access subscribers have increased by 20.4% or 2,205 reflecting the migration of dial-up subscribers to high-speed products.

Data customers totaled 47,339 as of August 31, 2005 representing a decrease of 12,954 or 21.5% from August 31, 2004. The decrease is essentially in the residential dial-up subscriber base, which lost 15,159 subscribers in the twelve month period ended August 31, 2005. Of the 47,339 data subscribers at August 31, 2005, 34,318 were residential and business dial-up customers, 10,774 residential high-speed customers and 2,247 business high-speed customers. As at August 31, 2004 Data customers totaled 60,293 comprising 49,477 residential and business dial-up customers, 9,029 residential high-speed customers and 1,787 business high-speed customers.

Broadcast distribution customers totaled 26,774 as of August 31, 2005 representing a decrease of 8,891 or 24.9% from August 31, 2004. Of the total, 7,911 represented customers in multiple unit dwellings (MUDs) and 18,863 were single family homes. The number of subscribers continued to decline in the twelve months ended August 31, 2005 as a result of aggressive marketing campaigns by our competitors, reduced sales and marketing activities by the Company and the focus on higher quality customers.

Storage customers totaled 12,473 as of August 31, 2005 representing an increase of 311 or 2.6% from August 31, 2004. Of the total as at August 31, 2005, 12,455 were hosting customers and 18 were co-location customers. As at August 31, 2004, 12,143 were hosting customers and 19 were co-location customers. The company also recorded sales of 38,568 domain names for the twelve month period ended August 31, 2005 compared to 28,181 for the fifteen month period ended August 31, 2004.

Subscriber Churn

For the year ended August 31, 2005, subscriber churn on Data Services averaged 4.7% per month, the same level for the fifteen months ended August 31, 2004. This was largely due to the continuous migration of dial-up subscribers (5% per month) to high-speed products. High-speed access subscriber churn reduced from 4.4% in 2004 to 3.9% in 2005. The improvement in subscriber churn reflects management's strategy of delivering on customer expectations by improving reliability, network quality and customer service.

Subscriber churn on broadcasting distribution and on storage services was an average of 4.4% (2004 - 4.4%) and 3.5% (2004 - 3.1%) per month, respectively.

ARPU

The overall improvement in ARPU of \$2.67 or 9% over August 31, 2004 reflects the continued activation and retention of higher valued customers, increased penetration of enhanced services and the continued growth of wireless data and storage revenues.

For the twelve months ended August 31, 2005, ARPU on Data Services was \$23.70 per month. While ARPU on residential and business dial-up customers was \$17.04, ARPU on high-speed Internet access was \$44.76. ARPU on broadcasting distribution and on storage services was \$43.69 and \$27.99 respectively. For the fifteen months ended August 31, 2004, ARPU on Data Services was \$21.45 per month, while ARPU on residential and business dial-up customers was \$17.61 and ARPU on high-speed Internet access was \$47.73. ARPU on broadcasting distribution and on storage services were respectively \$43.29 and \$28.26.

Total operating expenses have declined from 74.7% of service revenue in 2004 to 71.4% of service revenue in 2005 mainly because the Company has focused on converting costs from fixed to variable and controlled its cost base to reflect changes in subscriber numbers. The 2004 comparative includes Look's operating expenses for the nine months from December 1, 2003, the date from which Look was consolidated, to August 31, 2004.

	Twelve months ended August 31, 2005	% of service revenue	Fifteen months ended August 31, 2004	% of service revenue
Marketing and Sales	1,983	5.4%	1,627	5.1%
Customer Care	4,232	11.5%	3,700	11.7%
Engineering and Operations	5,562	15.1%	4,834	15.2%
General and Administration	8,925	24.2%	9,189	29.0%
Total before amortizations	20,702	56.1%	19,350	61.0%
Amortization of capital assets and deferred charges	5,661	15.3%	4,330	13.6%
Total operating expenses	\$26,363	71.4%	\$23,680	74.7%

Marketing and sales expenses include Look's costs of media and other advertising fees for direct sales agencies, direct marketing costs, cost of producing and distributing product media and commissions on retail sales. After the limited success of advertising campaigns in the first quarter of fiscal 2005, Look focused on retention of its high value customers, rather than new customers from mass marketing programs. Marketing and sales expenses as a percentage of service revenue increased from 5.1% in 2004 to 5.4% in 2005 while the cost of acquisition in 2005 was \$81.00 per subscriber compared with \$66.38 per subscriber in 2004.

Customer care expenses include salaries, benefits and other costs associated with the operation of Look's call centres for technical and service support. The decrease in these costs, as a percentage of revenue, reflects the reduction in the number of employees to match the decrease in the subscriber numbers. Customer care expenses in 2005 represented 11.5% of service revenue compared with 11.7% a year ago, due largely to restructuring the call centre without any decline in service levels to customers.

Engineering and operations expenses include Look's costs associated with operating and maintaining the broadcast distribution head-end facilities, the network and transmission towers by which digital signals are transmitted via broadband wireless links to customers, the costs of providing maintenance services to customers and the telecommunication facility costs for Internet services. In 2005, engineering and operations expenses of \$5,562 decreased to 15.1% of service revenue, compared with 15.2% of service revenue in 2004. The slight decrease in expenses reflects the lower subscriber base in broadcast distribution activities, offset by the cost of development of the new MMM network.

General and administration costs include administrative salaries, human resources, general occupancy, information technology and other administrative overheads for both Look and UBS. General and administration expenses decreased to 24.2% of service revenues, compared with 29% of service revenues in 2004. The decrease in expenses reflects Look's lower subscriber base and an improvement in the quality of the subscriber base leading to lower bad debts and associated costs.

Amortization of capital assets relates mainly to the amortization of Look's capital assets including buildings, headends and network equipment, customer connections, computer hardware and software and office equipment.

Amortization of deferred charges relate to the amortization of the CRTC license renewal, which is amortized over the life of the license, and the amortization, over three years, of financing costs associated with Look's rights offering.

Interest and Financing Charges

	Twelve months ended August 31, 2005	Fifteen months ended August 31, 2004
Interest expense	(250)	(85)
Interest Income	156	124
Net Interest (expense)/income	(\$94)	\$39

For the year ended August 31, 2005, \$250 was recorded as interest expense on mortgage financing, supplier-financed credit facilities, capital lease obligations, and financing fees. Interest was earned on short term investments and liquid assets.

Non-controlling interest is the allocation related to the minority shareholders' interest of 49% in Look's operating results.

Discontinued operations:

The net income from discontinued operations for the year ended August 31, 2005 was \$224 or \$0.00 per common share compared with the net loss for the fifteen-month period ended August 31, 2004 of \$8,569 or \$0.08 per common share.

Discontinued operations includes the net loss associated with the E&M Business prior to its sale in the second quarter of fiscal 2004, the loss on the sale of this operation and the provision for the note receivable on the sale of the E&M Business. During fiscal 2005, the Company received a tax refund related to its 2001 tax filing of \$224 and this is shown as a recovery in discontinued operations in the year.

12. EBITDA

The following table reconciles the loss from continuing operations to EBITDA for the respective periods as determined under GAAP:

	Twelve months ended August 31, 2005	Fifteen months ended August 31, 2004**
Loss from continuing operations	(4,475)	(5,086)
Non-controlling interest	(3,599)	(3,548)
Amortization of capital assets	5,547	4,251
Amortization of deferred charges	114	79
Net interest and financing charges	94	(39)
(Recovery)/provision for income taxes	(36)	36
EBITDA*	(\$2,355)	(\$4,307)

* Management views EBITDA as an important measure of operating performance of the Company; however since EBITDA does not have any standardized meaning prescribed by Canadian GAAP, it may not be considered in isolation of GAAP measures such as (1) net loss, as an indicator of operating performance or (2) cash flows from operating, investing and financing activities, as a measure of liquidity. Because there is no standardized GAAP definition, EBITDA is unlikely to be comparable to similar measures presented by other issuers.

** The 15 months ended August 31, 2004 only consolidates 9 months of Look's results.

13. QUARTERLY FINANCIAL RESULTS

The key lines in the quarterly results for the last eight quarters are set out in the tables below:

Quarter ended	Nov 30 2003 ¹	Feb 29 2004 ²	May 31 2004	Aug 31 2004
Revenue	—	11,989	11,397	9,091
Net loss - continuing ops	(375)	(994)	(535)	(2,499)
Non controlling interest		(834)	(1,482)	(1,232)
Interest, taxes, depreciation and amortizations	—	1,449	1,456	1,422
EBITDA ³		(379)	(561)	(2,309)
Loss per share ⁴ - continuing ops	—	(0.01)	(0.01)	(0.02)
Net loss - discontinued ops	(7,001)	—	—	715
Loss per share ⁴ - discontinued ops	(0.07)	—	—	0.01

Quarter ended	Nov 30 2004	Feb 28 2005	May 31 2005	Aug 31 2005
Revenue	10,066	9,670	9,178	9,042
Net loss - continuing ops	(1,204)	(1,537)	(976)	(758)
Non controlling interest	(1,294)	(1,182)	(947)	(176)
Interest, taxes, depreciation and amortizations	1,392	2,005	1,661	661
EBITDA ³	(1,106)	(714)	(262)	(273)
Loss per share ⁴ - continuing ops	(0.01)	(0.02)	(0.01)	0.00
Net loss - discontinued ops	—	—	—	224
Loss per share ⁴ - discontinued ops	—	—	—	0.00

¹ The Engineering & Manufacturing Business was sold in this quarter.

² The operations of Look were consolidated for the first time from November 30, 2003.

³ EBITDA is included above from the time that Look was consolidated and the basis of the calculation follows the layout in section 12 of this MD&A.

⁴ Loss per share is basic and diluted.

The revenue and net loss from continuing operations shown in the above table includes Look's service and sales revenue and operating expenses from the time it was consolidated by the Company in Quarter 2 of 2004 fiscal. Over the eight quarters, revenue has declined because of lower subscriber numbers. This decline in subscribers is mainly because of the migration of dial-up customers to high-speed Internet access (this follows an industry trend), Look's focus on building a higher quality subscriber base and lower numbers of new subscribers. In addition, Look's major competitors have an advantage in that they are able to offer bundled products (cell phones, video and Internet) at very competitive discounted prices.

The efforts by the Company to move costs from fixed to variable in nature and the Company's ability to respond quickly to the changing subscriber base are reflected in the improvement in the loss from continuing operations and, more importantly, the improvement in EBITDA, which reflects the Company's cash flow from operations.

In order to align operating costs with declining subscriber numbers, all departments have undergone internal restructurings that have occurred from time to time over the past two years. Headcounts have reduced from 299 at August 31, 2003 to 147 at August 31, 2005 and, together with renegotiated supply contracts, are the key components of the reduction in operating expenses at Look.

There were no major events or unusual transactions in Quarter 4 related to year-end adjustments. Cash flow in Quarter 4 did, however, benefit from the grant Look received from the Quebec Government, of approximately \$2,000, related to employee assistance programs. Most of the operating trends established in previous quarters continued in Quarter 4.

14. LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$7,520 at August 31, 2005 compared with cash and short term investments of \$7,430 at August 31, 2004.

The changes in cash and cash equivalents are summarized as follows:

Cash Flows from(used in):	Twelve months to August 31, 2005	Fifteen months to August 31, 2004
Operating activities - continuing operations	2,223	(4,817)
Operating activities - discontinued operations	(463)	(6,006)
Cash flows from/(used in) operating activities	1,760	(10,823)
Cash flows from/(used in) financing activities	(67)	4,978
Cash flows from/(used in) investing activities	907	(740)
Increase/(Decrease) in cash and cash equivalents	\$2,600	(\$6,585)

Cash flow from operating activities for the 12 months ended August 31, 2005 was \$1,760 compared with cash used in operating activities of \$10,823 for the year ended August 31, 2004, an improvement of \$12,583. The improvement in 2005 is primarily due to the elimination of the E&M Business, the operations of Look and the change in non cash operating working capital.

No major financing activities occurred in 2005 resulting in cash used in financing activities of \$67 related mainly to obligations under capital leases and interest on debentures. The cash flow from financing activities in 2004 resulted from the proceeds from Look's rights offering of convertible debentures. Look's rights offering to its shareholders closed on February 23, 2004, raising \$10,665. UBS subscribed for \$5,447 to maintain its 51% fully diluted interest.

Cash flow from investing activities for the period ended August 31, 2005 was \$907 compared with \$740 used in 2004. The cash inflow in 2005 was mainly due to redemptions of short term investments by Look. Cash used in investing activities in 2004 was due largely to purchases of capital assets for Look's network, offset by flows resulting from the release of restricted cash, purchase of short term investments and consolidation of Look in December 2003.

As at August 31, 2005, the Company had contractual obligations that require future payments as follows:

	Total	2006	2007	2008	2009	Thereafter
Long term debt	\$1,320	\$67	\$1,239	\$14		
Operating leases	\$3,051	\$807	\$697	\$667	\$323	\$557

Cash required for the Company's contractual obligations identified above and capital assets related to the existing network and customer premise equipment are expected to be funded by cash on hand and cash provided by operating activities.

Management believes that the Company has sufficient cash and cash equivalents available to meet the needs of its existing strategy for the near future. The Company will continue to focus on the cost structure and, based on actions already taken, expects Look to generate cash from operations in fiscal 2006 despite the declining trend in subscribers. Cash provided by operations will fund existing commitments and be sufficient to develop a MMM site in the Milton Area. External funds will, however, be required to expand the MMM network to achieve the Company's goal of being a Mobile Multi Media entertainment and information service provider throughout the Quebec City to Windsor corridor.

The Company's working capital deficiency at August 31, 2005 was \$4,178 compared with \$1,159 at August 31, 2004. UBS had a working capital surplus of \$1,137 at August 31, 2005 (\$2,016 at August 31, 2004), while Look's working capital deficiency at August 31, 2005 was \$5,315 (\$3,175 at August 31, 2004). While Look's deficiency increased in 2005 due to the negative EBITDA and the purchase of capital assets, this level is almost 40% or \$3,402 lower than Look's working capital deficiency of \$8,717 at December 31, 2003. Management believes it will reduce the deficiency over the next few years through positive EBITDA from operations. Look has recently launched its new membership packages for video customers which management believes will attract more customers and reduce churn. This launch, together with the successful renegotiation of large contracts with various suppliers is expected to increase Look's gross margins. Look will continue to focus on its operating expenses with a goal to achieving improvements in its operating expense to total service revenue ratio. As mentioned above, management is also repositioning Look as a Mobile Multi Media service provider so that it can better utilize the Company's main assets, which include 96 MHz of spectrum in the 2.5 to 2.7 GHz band, the broadcast license and its technological intellectual property.

15. SHARE CAPITAL

On October 17, 2003, the CRTC issued an approval letter in response to Look's application for authority to a change in ownership and control of Look that would result upon the exercise of the UBS option to acquire shares of Look ("Option"). In the approval letter, the CRTC approved Look's application effective upon the receipt by the CRTC of documentation demonstrating, among other things, that UBS amended its share capitalization to create Class A Non-Voting Shares, which is described in greater detail in the Company's Management Information Circular for the Annual Shareholders Meeting held on November 20, 2003. The special resolution necessary to approve the amendment to the Articles of the Company, to create the Class A Non-Voting Shares and to stipulate the terms and conditions of the Class A Non-Voting Shares and the common shares of the Company, was passed by the shareholders at the Annual Meeting held on November 20, 2003.

At August 31, 2005, UBS had issued 91,442,522 common shares (August 31, 2004 - 91,442,522) and 11,305,332 Class A non-voting shares (August 31, 2004 - 11,305,332) for total issued shares of 102,747,854 (August 31, 2004 - 102,747,854) and there were options outstanding to acquire 13,976,000 common shares of the Company (August 31, 2004 - 11,588,000).

At November 15, 2005 there was no change to the number of common shares issued or options outstanding to acquire common shares of the Company.

16. CLAIMS FOR DAMAGES

On January 16, 2003, UBS entered into a signed Right of Use Agreement ("Agreement") with Inukshuk Internet Inc. ("Inukshuk"), a subsidiary of Microcell Telecommunications Inc. ("Microcell") which would allow UBS to use spectrum licenses held by Inukshuk within certain license service areas. In addition, the Agreement gave UBS the right to match any binding, written irrevocable offer that Inukshuk was prepared to accept for the remaining MCS spectrum licensed to Inukshuk.

After attempting unsuccessfully to resolve issues related to the Agreement, UBS commenced legal action on April 21, 2004 against Allstream Inc. (now MTS Allstream Inc.), Microcell Telecommunications Inc., Microcell Solutions Inc. and Inukshuk (wholly-owned subsidiaries of Microcell and now of Rogers Communications Inc. ("Rogers")) for, amongst other things, specific performance, breach of contract, breach of confidence and breach of fiduciary duty. Damages totaling \$160,000 and disgorgement of profits are claimed against each of the defendants as a result of their actions involving the Inukshuk spectrum. Statements of Defence have now been filed by the defendants.

On September 16, 2005, Rogers and Bell Canada announced an agreement to jointly build and manage a Canada-wide wireless broadband network. Pursuant to this agreement, Rogers will contribute its entire broadband wireless spectrum in the 2.3GHz, 2.5GHz and 3.5GHz frequency ranges, which includes the Inukshuk spectrum under the Agreement.

The assets and rights that need to be protected are significant to UBS shareholders and as such UBS intends to vigorously pursue its rights. No amount has been accrued in the consolidated financial statements for these claims.

17. LITIGATION

- a) On February 19, 2004, Craig Wireless International Inc. ("Craig") filed a statement of claim against UBS and Look before the Ontario Superior Court of Justice. In its action, Craig seeks numerous sanctions against the Company and other parties. On May 4, 2004, UBS and Look obtained an order from the Ontario Superior Court of Justice dismissing with prejudice the motion brought by Craig for, amongst other things, an injunction that would prevent UBS from voting its shares of Look and converting into common shares its convertible debentures pursuant to Look's February 2004 rights offering. At the same time, Craig withdrew its challenge to the CRTC approval of UBS acquiring a controlling interest in Look. Craig is still pursuing its claim that Look conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig and requests damages in the aggregate amount of \$12,000.

The Company was informed that Craig intends to amend its claim. As at August 31, 2005, an amended claim had not been filed. The Company believes that the claim is unfounded and intends to defend itself. No accrual has been recorded in the Company's financial statements for this claim.

- b) Certain claims have been filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that filed for bankruptcy in early 2003. The claims, which rely on alleged guarantees by UBS, amount to 14.3 million Danish Kroner (approximately \$2,700) and relate to rent on leased premises used by UBS Technologies in Denmark and a subcontracting agreement for the manufacture of electronic products.

Management believes that the above actions are without merit and intends to vigorously contest any claim made against UBS.

- c) On May 17, 2005 a proceeding was brought against UBS alleging damages of approximately \$700 for repairs to premises under a lease. UBS has filed a third party claim against a sub-tenant for indemnification of any damages to the subleased premises. Management believes it has a good defense and intends to vigorously defend its position.
- d) On June 8, 2005 an investment dealer filed a third party claim against UBS resulting from litigation against that investment dealer by two shareholders of UBS. The claim against the investment dealer, for \$42,000, is for negligence and breach of contract pertaining to a secondary sale of UBS shares in 2000, on behalf of the two shareholders. The third party claim against UBS alleges that UBS indemnified the investment dealer against claims on the performance of the investment dealer with respect to this secondary sale of UBS shares. Management sees no merit in the third party claim and intends to vigorously defend its position.

18. TRANSACTIONS WITH RELATED PARTIES

- a) Sale of equipment to Look:

During fiscal 2004, UBS sold network equipment amounting to \$2,127 to Look. The purchase was financed by a promissory note, issued to UBS, bearing interest at an annual rate of 8%, payable on the earlier of 15 days after Look completed a public financing or December 31, 2004. These transactions were conducted and measured in the normal course of business at commercial prices established and agreed to by both parties. The amount due to UBS was repaid on February 5, 2004.

- b) Management Services Agreement:

On May 19, 2004, UBS and Look entered into an agreement under which UBS will provide Look with a wide range of services designed to maximize Look's full commercial potential.

Under the terms of the agreement, Look was required to pay a one-time fee of \$1,200 and is required to pay an annual fee of \$2,400. Look may, from time to time, recognize the performance of UBS in the form of cash bonus payments, direct grant of treasury shares of Look, or options for the purchase of subordinate voting shares from treasury. All options shall conform to Look's stock option plan. Look shall also reimburse UBS for certain expenses and disbursements incurred in respect of the agreement and the services provided by UBS. The initial term of the agreement is for a moving three-year period commencing on May 19, 2004 (the "execution date"). On each anniversary of the execution date, the term will automatically recommence unless, prior to an annual anniversary, Look's Board of Directors has communicated in writing to UBS its intent that the agreement not recommence, in which event, the agreement expires on the completion of the remaining term.

c) Rent of Premises

UBS has subleased a portion of Look's premises for a five year term at an annual rent of \$72.

d) Alex Dolgonos, Former President and CEO

During fiscal 2003, UBS entered into a consulting agreement with Mr. Dolgonos for an initial term of five years, under which he will receive consulting fees. At the discretion of the Board of Directors, an annual bonus may also be awarded to Mr. Dolgonos. Pursuant to this agreement, consulting fees of \$370 (2004 - \$510) and a bonus of \$183 (2004 - \$164) were paid to Mr. Dolgonos during the year ended August 31, 2005.

This agreement also provided for the grant of 2,000,000 stock options with an exercise price of \$0.48. On the date of grant, the quoted market price of the Company's common shares was \$0.20. The first 1,000,000 stock options will vest at the time the Company's common share price reaches \$0.60 and the second 1,000,000 stock options will vest at the time the Company's share price reaches \$0.72. These options are exercisable in the period commencing on the initial vesting date and ending on the earlier of (a) the fifth anniversary from the initial vesting date and (b) October 2012. As at August 31, 2005, none of these options have vested.

In addition, this consulting agreement contemplated that the Company will grant Mr. Dolgonos an additional 1,000,000 stock options in each of 2003 and 2004. The exercise price for these stock options would be set at the market price at the date of grant and these options will vest in one-third increments, on the first three anniversary dates following the grant dates. These additional stock options will be exercisable during the period commencing on the vesting date and ending on the fifth anniversary of the grant date. On each of March 18, 2003 and August 31, 2004, 1,000,000 options were issued with an exercise price of \$0.23 and \$0.15, respectively, the market price at that date. Under the fair value based method, stock-option compensation is periodically remeasured until counterparty performance is complete and any change therein is recognized over a period of five years. For the period ended August 31, 2005, the Company recorded \$28 (2004 - \$16) in stock-based compensation related to these options.

19. RISKS AND UNCERTAINTIES

Going Concern

There is doubt about the Company's ability to continue as a going concern as it has incurred significant operating losses over the past years and the Company had a working capital deficiency of \$4,178 as at August 31, 2005.

The Company and Look's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations and successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

Customer Retention

Look's ability to retain its existing profitable subscriber base and add new subscribers is the prime determining factor in its long-term success. Look attempts to ensure such retention of profitable customers by investing in its infrastructure and technical and subscriber support capabilities. Look has also implemented targeted retention strategies designed to further reduce the rate of customer attrition. However, it is easy for Look's subscribers to switch to competing Internet and television distribution service providers. Moreover, churn of dial-up subscribers is, as expected, increasing as customers switch to high speed Internet access. Consequently, Look's investments may not help subscriber retention. Any significant loss of profitable subscribers will adversely affect Look's business, financial condition and results of operations in the future.

Customer Acquisition

Look's revenue depends on its ability to attract and keep new subscribers. Look will aggressively pursue its targeted niche customers through its focused marketing approach. However, given the very strong competitive environment in which Look operates, there can be no assurance that it will be able to successfully continue the re-launch of its sales and marketing activities and to increase the rate of net subscriber additions. This could consequently adversely affect Look's business, financial condition and results of operations in the future.

Regulatory Risks

As discussed in the "Overview of Government Regulation and Regulatory Developments" section above, the Company's operations are subject to government regulation that could impact the business. The Company continually monitors these developments and comments directly on those policies that affect it.

Technology Risks

Look is pursuing a new strategy that will transition its network to Mobile Multi Media technology. The development and implementation of any new technology brings with it inherent uncertainties and risks related to the features included, the timing of implementation and the cost and availability of equipment.

Mobile Multi Media technology will enhance the customer experience by allowing the introduction of many new features and services; such as the mobile viewing of broadcast signals and the use of datacasting for information downloads.

This implementation will rely, in part, on new and unproven technology, although UBS has experience in related areas. Look cannot be certain that the new MMM network can be implemented in the time frame and with the costs expected.

20. DISCLOSURE CONTROLS

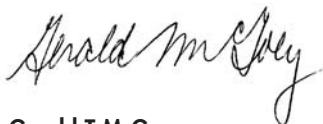
Management has evaluated the Company's disclosure controls and procedures and has determined that, as at August 31, 2005, the controls are effective.

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and in other sections of this Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles. The significant accounting principles which management believes are appropriate for the Company are described in note 2 to the Financial Statements.

The Board of Directors is responsible for reviewing and approving the Financial Statements and overseeing management's performance of its financial reporting responsibilities. An Audit and Corporate Governance Committee of three Directors is appointed by the Board.

The Audit and Corporate Governance Committee reviews the Financial Statements, adequacy of internal controls, audit process and financial reporting with management and with external auditors. The Audit and Corporate Governance Committee reports to the Board of Directors prior to the approval of the audited Financial Statements for publication. KPMG LLP, the Company's external auditors, who are appointed by the shareholders, audited the Financial Statements in accordance with Canadian Generally Accepted Auditing Standards to enable them to express to the shareholders their opinion on the Financial Statements. Their report is set out below.



Gerald T McGoey

Chairman and Chief Executive Officer



Malcolm Buxton-Forman

Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Unique Broadband Systems, Inc. as at August 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the year ended August 31, 2005 and the fifteen months ended August 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2005 and 2004 and the results of its operations and its cash flows for the year ended August 31, 2005 and the fifteen months ended August 31, 2004 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Toronto, Canada
October 28, 2005


CONSOLIDATED BALANCE SHEETS

August 31, 2005 and 2004

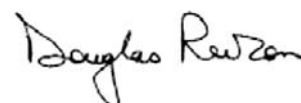
<i>(In thousands of dollars)</i>	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	\$7,520	\$4,920
Short-term investments	—	2,510
Restricted cash [note 4]	1,170	492
Accounts receivable	975	2,809
Inventory	182	274
Prepaid expenses and deposits	525	2,035
	10,372	13,040
Capital assets [note 5]	22,268	26,864
Deferred charges [note 6]	257	342
	\$32,897	\$40,246
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$9,967	\$8,066
Accrued liabilities	3,158	4,491
Income taxes payable	5	40
Unearned revenue	1,353	1,571
Current portion of long-term debt [note 7]	67	31
	14,550	14,199
Long-term debt [note 7]	1,253	1,242
Non-controlling interest [note 8]	11,489	15,109
Shareholders' equity		
Share capital [note 9]	58,139	58,139
Contributed surplus	642	375
Deficit	(53,176)	(48,818)
	5,605	9,696
Basis of presentation [note 1]		
Litigation [note 15]		
Commitments [note 18]		
	\$32,897	\$40,246

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Year ended August 31, 2005 and fifteen months ended August 31, 2004

<i>(In thousands of dollars, except shares and per share amounts)</i>	2005	2004 (note 2a)
Service and sales revenue <i>[note 13]</i>	\$37,956	\$32,477
Carrier charges and cost of sales <i>[note 13]</i>	19,609	16,275
Gross margin	18,347	16,202
Expenses		
Marketing and sales	1,983	1,627
Customer care	4,232	3,700
Engineering and operations	5,562	4,834
General and administration	8,925	9,189
Amortization of capital assets	5,547	4,251
Amortization of deferred charges	114	79
	26,363	23,680
	(8,016)	(7,478)
Equity interest in losses of Look <i>[note 3]</i>	—	(1,159)
Interest expense	(250)	(85)
Interest income	156	124
Loss from continuing operations before income taxes and non-controlling interest	(8,110)	(8,598)
Income taxes recovery/(provision) <i>[note 11]</i>	36	(36)
Non-controlling interest	3,599	3,548
Loss from continuing operations	(4,475)	(5,086)
Income/(loss) from discontinued operations <i>[note 10]</i>	224	(8,569)
Loss for the period	(4,251)	(13,655)
Deficit, beginning of period	(48,818)	(35,163)
Capital reorganisation costs	(107)	—
Deficit, end of period	\$(53,176)	\$(48,818)
Loss per share from continuing operations: Basic and diluted	\$(0.04)	\$(0.05)
Loss per share: Basic and diluted	\$(0.04)	\$(0.13)
Weighted average number of outstanding shares in thousands:		
Basic and diluted <i>[note 9]</i>	102,748	102,748

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended August 31, 2005 and fifteen months ended August 31, 2004

<i>(In thousands of dollars)</i>	2005	2004
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:		
Loss from continuing operations	\$(4,475)	\$(5,086)
Non-controlling interest	(3,599)	(3,548)
Equity interest in losses of Look	—	1,159
Amortization of capital assets	5,547	4,251
Non-cash gain on settlement of liabilities	(323)	—
Amortization of deferred charges	114	79
Amortization of stock based compensation	385	109
Change in non-cash operating working capital <i>[note 12]</i>	4,574	(1,781)
Cash flows from/(used in) continued operations	2,223	(4,817)
Cash flows used in discontinued operations	(463)	(6,006)
Cash flows from/(used in) operating activities	1,760	(10,823)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:		
Repayment of term loans	—	(136)
Proceeds from re-financing long term debt	—	200
Interest on convertible debentures	(13)	(91)
Deferred financing charges	—	(200)
Share issuance costs	(10)	—
Proceeds from rights offering	—	5,218
Repayment of obligations under capital leases	(44)	(13)
Cash flows from/(used in) financing activities	(67)	4,978
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	(678)	2,365
Redemption/(purchase) of short-term investments	2,510	(2,510)
Cash acquired on consolidation of Look	—	2,323
Purchase of capital assets	(896)	(2,766)
Deferred charges	(29)	(152)
Cash flows from/(used in) investing activities	907	(740)
Increase/(decrease) in cash and cash equivalents	2,600	(6,585)
Cash and cash equivalents, beginning of period	4,920	11,505
Cash and cash equivalents, end of period	\$7,520	\$4,920

Supplemental cash flow disclosure [note 12]

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

Unique Broadband Systems, Inc. (the "Company") is a publicly listed Canadian company that has investments in broadband assets and a 51% fully diluted equity interest in Look Communications Inc. ("Look"). With its licensed spectrum through Look, the Company is a Canadian digital television broadcaster and broadband wireless service provider. References to "UBS" include Unique Broadband Systems Inc. and its wholly owned subsidiary UBS Wireless Services Inc. References to the Company include UBS and Look.

The Company's genesis in the wireless industry was that of a technology company that designed, developed and manufactured broadband wireless access, wireless transport and digital audio and video broadcasting solutions (the "Engineering and Manufacturing Business" or "E&M Business"). On October 8, 2003, this E&M Business was sold. During 2003, UBS completed certain transactions to acquire a 51% controlling interest in Look (see note 3).

UBS and Look changed their year-ends to August 31 in order to standardize their financial reporting periods. This change resulted in the Annual Report for 2004 covering a period representing fifteen months to August 31, 2004.

These consolidated financial statements have been prepared in accordance with the Canadian generally accepted accounting principles.

1. BASIS OF PRESENTATION:

These consolidated financial statements have been prepared on a going concern basis, in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and contingencies in the normal course of operations.

There is doubt about the Company's ability to continue as a going concern as it has incurred significant operating losses in recent years and the Company has a working capital deficiency of \$4,178 as at August 31, 2005.

The Company's ability to continue as a going concern is dependent upon achieving and maintaining profitable operations and successful implementation of the Company's business strategy. The outcome of these matters cannot be predicted at this time. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of consolidation:

The consolidated financial statements of the Company for the year ended August 31, 2005 include Look's balance sheet as at August 31, 2005 and its statements of operations and cash flows for the same period. The consolidated financial statements of the Company for the fifteen-month period ended August 31, 2004 include Look's balance sheet as at August 31, 2004 and its statements of operations and cash flows for the nine-month period commencing December 1, 2003 and ending on August 31, 2004. For the six-month period from June 1, 2003 to December 1, 2003, the Company accounted for Look using the equity method. All significant inter-company transactions and balances have been eliminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

(b) Revenue recognition:

Service and sales revenue includes earned subscriber service revenue for television and Internet access. Service charges billed or paid for in advance are recorded as revenue when services are provided. Revenue from the sale of receiving equipment and modems is recognized in the period in which the services are activated. Unearned revenue consists of prepayments under certain customer contracts and is amortized to revenue over the term of the contract.

Up until its disposal date, UBS recognized revenue related to the E&M Business when the title to the goods transferred to the customers and collection of the related receivable was reasonably assured.

(c) Cash and cash equivalents and short term investments:

Cash and cash equivalents are deposits with major financial institutions or liquid marketable securities purchased with an original maturity of three months or less. As at August 31, 2005, cash and cash equivalents consisted primarily of deposits with major financial institutions.

Short-term investments consist of guaranteed investment certificates and treasury bills issued by a major financial institution with original maturities of three months or more. Short-term investments are recorded at amortized cost.

(d) Inventory:

Inventory, which consists primarily of modems, antennae, and remote controls, is recorded at the lower of cost and net realizable value.

(e) Capital assets:

Capital assets are stated at cost, net of accumulated amortization. Amortization is provided for over the estimated useful lives of the related assets as follows:

Asset	Basis	Rate
Building	Declining balance	4%
Headend and network equipment	Straight line	10 years
Customer connections	Straight line	5 - 10 years
Computer hardware	Declining balance	30%
Computer software	Straight line	1 year
Office equipment and other	Declining balance	20%
Vehicles under capital leases	Declining balance	30%

Capital assets associated with the Company's network and customer connections are subject to technological risks and market changes due to new products and services and changing customer demands. These changes may result in changes to the estimated useful lives of these assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

(f) Impairment of long-lived assets:

The carrying amount of long-lived assets to be held and used is reviewed for impairment on an ongoing basis whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

(g) Basic and diluted loss per common share:

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the period. Diluted loss per common share is calculated by dividing the net loss by the sum of the weighted average number of common shares outstanding and the dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of the shares issuable upon exercise of stock options and warrants calculated using the treasury stock method. Common equivalent shares are not included in the calculation of the weighted average number of shares outstanding for diluted loss per common share when the effect would be anti-dilutive.

(h) Foreign currency translation:

The monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the rates of exchange at the balance sheet dates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. Exchange gains or losses on translation are included in the determination of net loss.

(i) Income taxes:

The Company provides for income taxes under the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment or substantive enacted date.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods. Actual results could differ from those estimates. Significant estimates are used in determining allowances for doubtful accounts, useful lives of capital assets, impairment assessments, income tax valuation allowances and contingent liabilities.

(k) Stock-based compensation and other stock-based payments:

The Company has a stock option incentive plan, which is described in note 9(c). The Company accounts for all stock-based payments to employees and non-employees using the fair value based method. Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

(l) Deferred charges:

Deferred charges include license renewal application costs incurred by Look. License application costs represent expenditures incurred in the course of obtaining the license renewals from the Canadian Radio-television and Telecommunications Commission (the "CRTC") and are being amortized on a straight-line basis over the terms of the licenses.

Deferred financing charges represent costs incurred to complete the rights offering made by Look and are amortized on a straight-line basis over the term of the convertible debentures. Periodically, management reviews the carrying value of deferred charges to determine if impairment in value has occurred. The Company measures any potential impairment by comparing the carrying value to the undiscounted amounts of expected future cash flows.

(m) Government assistance:

Government assistance is recorded as an expense reduction in the period that the expenditure is incurred and when reasonable assurance exists that the Company has complied with the terms and conditions of the approved grant program and there is reasonable assurance that the amounts will be received.

3. ACQUISITION OF LOOK:

In January 2003, UBS acquired 5,866,247 treasury common shares from Look for cash consideration of \$2,346 representing a shareholder interest of approximately 20%.

In May 2003, UBS acquired a further 2,903,793 common shares of Look in a private transaction for cash consideration of \$1,655 resulting in an increase in the UBS interest in Look to 29.9%. UBS also acquired, during May 2003, an assignable fully funded option for cash consideration of \$3,352 to purchase, subject to regulatory approval, a further 6,207,427 shares which UBS exercised in December 2003 increasing UBS's interest in Look to 51%. Acquisition costs associated with UBS's investment in Look amounted to \$1,006.

In May 2004, UBS converted \$2,447 of its \$5,447 of the convertible debentures it held in Look and received 32,626,667 common shares of Look. In July 2004, UBS received 961,428 common shares in Look in lieu of debenture interest.

In January 2005, UBS received 1,163,394 common shares in Look in lieu of debenture interest resulting in UBS holding 49,728,956 common shares of Look before the Look share capital reorganization.

In April 2005, Look amended its share capital structure and converted each common share into half a multiple voting share and half a subordinate voting share. In July 2005, UBS received a further 1,276,974 subordinate voting shares in lieu of debenture interest. As a result, at August 31, 2005, UBS held 24,864,478 multiple voting shares and 26,141,452 subordinate voting shares of Look (44.1% of issued and outstanding shares), and can convert its convertible debenture of \$3,000 into 20,000,000 of multiple voting shares and 20,000,000 of subordinate voting shares to retain a 51% share of Look on a fully diluted basis.

The Company accounted for its investment in Look using the equity method for the period from June 1, 2003 to November 30, 2003, recording a loss of \$1,159. Effective November 30, 2003 UBS satisfied the conditions relating to regulatory approval to control Look and, accordingly, the Company commenced consolidating the financial statements of Look from that date. The acquisition had been accounted for using the purchase method and accordingly, the purchase price was allocated to the acquired assets and liabilities based on the estimated fair values as at the acquisition date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

The allocation of the purchase price of \$8,359 to the estimated fair value of the net assets acquired was as follows:

Current assets	\$7,117
Current liabilities	(12,217)
Long-term debt	(1,000)
Capital and other assets	28,920
	22,820
Non-controlling interest	(14,461)
	\$8,359

4. RESTRICTED CASH:

Look pledged \$1,170 (2004 - \$492) of cash to its bank as collateral for the processing of credit card transactions. This amount is held on deposit in interest bearing certificates, with interest rates between 2% and 2.5%.

5. CAPITAL ASSETS:

2005	Cost	Accumulated amortization	Net book value
Land	\$195	\$—	\$195
Building	1,381	353	1,028
Headend and network equipment	32,484	18,849	13,635
Customer connections	13,521	8,531	4,990
Computer equipment	19,269	18,076	1,193
Office equipment and other	2,512	1,436	1,076
Vehicles under capital leases	292	141	151
	\$69,654	\$47,386	\$22,268

2004	Cost	Accumulated amortization	Net book value
Land	\$195	\$—	\$195
Building	1,354	310	1,044
Headend and network equipment	32,356	15,724	16,632
Customer connections	13,256	6,398	6,858
Computer equipment	18,947	17,381	1,566
Office equipment and other	2,413	1,932	481
Vehicles under capital leases	181	93	88
	\$68,702	\$41,838	\$26,864

As described in note 7, certain assets have been pledged as security in connection with certain agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

6. DEFERRED CHARGES:

	Cost	Accumulated amortization	2005 Net book value	2004 Net book value
License renewal application costs	\$252	\$99	\$153	\$205
Deferred financing	183	89	94	133
Customer lists	12	2	10	4
	\$447	\$190	\$257	\$342

7. LONG-TERM DEBT:

	2005	2004
Mortgage payable (a)	\$1,200	\$1,200
Obligations under capital leases (b)	120	73
	1,320	1,273
Less current portion	67	31
	\$1,253	\$1,242

(a) The mortgage payable bears interest at 9% per annum and matures on November 4, 2006. The mortgage is collateralized by a first legal charge over the land and building of Look.

(b) Obligations under capital leases at August 31, 2005 represent the Company's automobile purchases under capital leases. These capital leases bear interest at 7-9% per annum with monthly repayment of on average \$0.8 per month.

Long-term debt is repayable as follows:

2006	\$67
2007	1,239
2008	14
	\$1,320

8. NON-CONTROLLING INTEREST:

The non-controlling interest in the consolidated balance sheet is based on the outside shareholders 49% interest in the equity of Look and the outside interest in the 7% convertible debentures of Look.

	2005	2004
Common shares and equity	\$9,844	\$11,906
7% convertible debentures	1,645	3,203
	\$11,489	\$15,109

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

9. SHARE CAPITAL:

(a) Authorized:

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued:

At August 31, 2005, the Company had issued 91,442,522 common shares (August 31, 2004 - 91,442,522) and 11,305,332 Class A non-voting shares (August 31, 2004 - 11,305,332).

(c) Stock option plan:

UBS's stock option plan (the "Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Plan, up to 19,765,396 common shares may be issued from treasury. Options are granted at prices equal to or greater than the market value on the date of grant, and in the absence of terms specifying otherwise, vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

The following table summarizes the continuity of options issued under the Plan:

	2005		2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	11,588,000	0.34	8,354,001	\$0.57
Granted	2,438,000	0.18	4,908,000	0.18
Cancelled	(50,000)	1.89	(1,674,001)	1.03
Outstanding, end of period	13,976,000	0.31	11,588,000	0.34
Options exercisable	4,167,667	0.25	1,232,667	0.35

A summary of the status of the Plan is as follows:

Exercise price	2005			2004		
	Options outstanding, end of period	Weighted average remaining contractual life (years)	Options exercisable, end of period	Options outstanding, end of period	Weighted average remaining contractual life (years)	Options exercisable, end of period
\$0.15 - \$0.17	4,900,000	4.1	1,525,000	3,650,000	4.8	—
\$ 0.19 - \$0.20	1,188,000	4.4	421,333	—	—	—
\$0.23 - \$0.27	2,258,000	2.7	1,591,334	2,258,000	3.7	752,667
\$0.48	5,600,000	1.9	600,000	5,600,000	2.9	400,000
\$1.89	30,000	0.4	30,000	80,000	1.0	80,000
	13,976,000	3.0	4,167,667	11,588,000	3.6	1,232,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

During the year, UBS recorded stock based compensation expense of \$239 (2004 - \$126) related to options issued to employees and \$28 (2004 - \$16) related to options issued to non-employees, which has been recorded in contributed surplus. The fair value for the options granted during the period was determined using the Black-Scholes option pricing model with the following assumptions: an average risk free interest rate of 3.16% (2004 - 5.3%), a dividend yield of 0% (2004 - 0%), a volatility factor of the expected market price of UBS shares of 70% (2004 - 95%), and a weighted-average expected option life of three and a half years. The weighted average fair value of options granted in the period was \$0.09 (2004 - \$0.13). The options have varying vesting periods and expire five years from the date of issue.

CICA Handbook Section 3870 requires the disclosure of pro forma loss and basic and diluted loss per share information for those options issued prior to June 1, 2003. Had compensation cost for options granted prior to June 1, 2003 been determined based on the fair value method of accounting for stock-based compensation, the Company's loss for the period ended August 31, 2005 and basic and diluted loss per share would have been increased to the pro forma amounts as follows:

	2005	2004
Loss for the period, as reported	\$4,251	\$13,655
Stock compensation expense	116	149
Pro forma loss for the period	\$4,367	\$13,804
Basic and diluted loss per share, as reported	\$(0.04)	\$(0.13)
Pro forma basic and diluted loss per share	\$(0.04)	\$(0.13)

Under generally accepted accounting principles, the fair value of stock-based awards to employees is calculated through the use of option pricing models, such as the Black-Scholes model, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. Because the stock-based awards have characteristics significantly different from those of freely traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based awards.

10. DISCONTINUED OPERATIONS:

On October 8, 2003, UBS closed a transaction to sell its E&M Business. This business was sold to a new private company owned by former UBS engineers. As consideration, UBS holds a three-year secured loan of \$2,000 bearing interest at 8%. Under certain circumstances, including in the event of default, UBS could acquire a 66.67% ownership stake in the new company. Additionally, UBS may be entitled to further proceeds upon any re-sale of the new company. The accounting impact of the divesture was a one-time loss of \$6,331, including full provision for the \$2,000 secured loan, the proceeds of which will only be recognized upon receipt. During the year, UBS, as agreed to in the original transaction, subordinated this loan in favour of a credit facility provided to the purchaser of the E&M Business by a large financial institution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

The following is a summary of the Company's discontinued operations:

	2005	2004
Revenue	\$—	\$777
Cost of goods sold and all other expenses	—	3,906
Loss from operations before taxes	—	(3,129)
Income taxes recovery	224	891
	224	(2,238)
Loss on disposal of capital assets	—	(4,331)
Provision against loan receivable	—	(2,000)
Income/(loss) from discontinued operations	\$224	\$(8,569)

The consolidated balance sheet includes the following amounts related to the discontinued operations:

	2005	2004
Inventory	\$53	\$53
Accrued liabilities	(470)	(1,157)
Net liabilities of discontinued operations	\$(417)	\$(1,104)

11. INCOME TAXES:

(a) Income tax expense:

Total income tax expense varies from the amounts that would be computed by applying the statutory income tax rate of 36.1% (2004 - 36.1%) to loss before income taxes for the following reasons:

	2005	2004
Effective income tax (recovery) on loss before income taxes	\$(2,928)	\$(3,104)
Decrease (increase) results from:		
Expiration of Ontario income tax loss carry forwards	1,220	—
Change in valuation allowance for future income tax assets allocated to income tax expense	2,451	7,261
Adjustments to future income tax assets and liabilities for enacted changes in tax laws and rates	—	(5,498)
Large Corporations Tax	(36)	36
Other	(743)	1,341
	\$(36)	\$36

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

(b) Future income tax assets:

In assessing the ability to realize future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the year in which the temporary differences are deductible. Management considers the scheduled reversals of future income tax liabilities, the character of the income tax asset and the tax planning strategies in making this assessment. To the extent that management believes that the realization of future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax assets.

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities are as follows:

	2005	2004
Future income tax assets:		
Non-capital and capital income tax losses carried forward	\$125,478	\$121,032
Capital assets - differences in net book value and undepreciated capital cost	(148)	(99)
Future deductions relating to scientific research and development	3,057	4,370
Future deductions related to financing charges and other provisions	483	1,215
	128,870	126,518
Future income tax liability:		
Future income inclusion relating to labour tax credits	(181)	(280)
Less valuation allowance	(128,689)	(126,238)
	(128,870)	(126,518)
	\$—	\$—

(c) Income tax losses:

As at August 31, 2005, the Company had the following Federal non-capital income tax losses, which may be carried forward to reduce future year's taxable income. The provincial non-capital income tax losses are not materially different. The losses expire as follows:

2007	\$112,559
2009	32,767
2010	199,090
2014	17,430
2015	3,592
	\$365,438

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

In addition, as at August 31, 2005, the Company had allowable provincial capital losses of \$10,116 which will not expire.

As at August 31, 2005, the Company had investment tax credits available for carry forward totaling approximately \$2,900 (2004 - \$3,400). The benefit of this amount has also not been reflected in these consolidated financial statements.

12. CONSOLIDATED STATEMENT OF CASH FLOWS:

(a) Change in operating working capital items, which represent an increase (decrease) in cash provided by (used in) operating activities, consists of the following:

	2005	2004
Accounts receivable	\$1,834	\$431
Inventory	92	(1,469)
Prepaid expenses and other assets	1,482	(1,332)
Accounts payable and accrued liabilities	1,384	145
Unearned revenue	(218)	444
	\$4,574	\$(1,781)

(b) Non cash investing and financing activities

	2005	2004
Capital assets acquired under capital leases	\$55	\$—
Accrued interest on convertible debentures	—	65
Capital reorganization costs included in payables	209	—
Share issuance costs included in payables	15	—

(c) Supplemental cash flow information:

	2005	2004
Interest paid	\$250	\$85
Interest received	156	124
Income taxes paid	40	124

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

13. SEGMENT DISCLOSURE:

The Company currently operates in a single segment as a wireless broadband carrier, delivering a full range of communications services including dial-up and high speed Internet access, wireless digital television distribution and web-related services including web-hosting and domain name registration.

The service and sales revenue, cost of sales and gross margin percentages are as follows:

	Twelve months ended August 31, 2005			Fifteen months ended August 31, 2004		
	Revenues	Cost of Sales	Gross Margin	Revenues	Cost of Sales	Gross Margin
Service revenues						
Data services	15,162	7,161	52.8%	12,777	5,499	57.0%
Broadcast distribution	16,556	9,675	41.6%	14,975	8,799	41.2%
Storage revenues	5,192	1,790	65.5%	3,958	1,682	57.5%
Total service revenues	36,910	18,626	49.5%	31,710	15,980	49.6%
Sales and Installations	1,046	983		767	295	
Total	\$37,956	\$19,609		\$32,477	\$16,275	

The comparative figures for 2004 include Look's results for nine months, from November 30, 2003, the date from which Look was consolidated, to August 31, 2004.

All of the Company's revenue is generated in Canada and all of its assets are located in Canada. No one customer accounts for more than 10% of revenue or accounts receivable.

14. CLAIMS FOR DAMAGES:

On January 16, 2003, UBS entered into a signed Right of Use Agreement ("Agreement") with Inukshuk Internet Inc. ("Inukshuk"), a subsidiary of Microcell Telecommunications Inc. ("Microcell") which would allow UBS to use spectrum licenses held by Inukshuk within certain license service areas. In addition, the Agreement gave UBS the right to match any binding, written irrevocable offer that Inukshuk was prepared to accept for the remaining MCS spectrum licensed to Inukshuk.

After attempting unsuccessfully to resolve issues related to the agreement, UBS commenced legal action on April 21, 2004 against Allstream Inc. (now MTS Allstream Inc.), Microcell Telecommunications Inc., Microcell Solutions Inc. and Inukshuk (wholly-owned subsidiaries of Microcell and now of Rogers Communications Inc. ("Rogers")) for, amongst other things, specific performance, breach of contract, breach of confidence and breach of fiduciary duty. Damages totaling \$160,000 and disgorgement of profits are claimed against each of the defendants as a result of their actions involving the Inukshuk spectrum. Statements of Defence have now been filed by the defendants.

On September 16, 2005, Rogers and Bell Canada announced an agreement to jointly build and manage a Canada-wide wireless broadband network. Pursuant to this agreement, Rogers will contribute its entire broadband wireless spectrum in the 2.3 GHz, 2.5GHz and 3.5 GHz frequency ranges, which includes the Inukshuk spectrum under the Agreement.

The assets and rights that need to be protected are significant to UBS shareholders and as such UBS intends to vigorously pursue its rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

15. LITIGATION:

- (a) On February 19, 2004, Craig Wireless International Inc. ("Craig Wireless") filed a statement of claim against the Company before the Ontario Superior Court of Justice. In its action, Craig Wireless seeks numerous sanctions against the Company and other parties.

On May 4, 2004, UBS and Look obtained an order from the Ontario Superior Court of Justice dismissing with prejudice the motion brought by Craig Wireless for, amongst other things, an injunction that would prevent UBS from voting its shares of Look and converting its convertible debentures into common shares pursuant to Look's February 2004 rights offering. At the same time, Craig Wireless also withdrew its challenge to the CRTC approval of UBS acquiring a controlling interest in Look. Craig Wireless is still pursuing its claim that Look conducted its affairs in a manner that was oppressive and unfairly prejudicial to Craig Wireless and requests damages in the aggregate amount of \$12,000.

The Company has been advised that Craig Wireless intends to amend its claim. As at August 31, 2005, an amended claim had not been filed. The Company believes that the claim is unfounded and intends to vigorously defend itself. No accrual has been recorded in the accounts for this claim.

- (b) Certain claims have been filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that filed for bankruptcy in early 2003. The claims, which rely on alleged guarantees by UBS, amount to 14.3 million Danish Kroner (approximately \$2,700) and relate to rent on leased premises used by UBS Technologies in Denmark and a subcontracting agreement for the manufacture of electronic products.

Management believes that the above actions are without merit and intends to vigorously contest any claim made against UBS and accordingly no amount has been recorded in the consolidated financial statements for these matters.

- (c) On May 17, 2005 a proceeding was brought against UBS alleging damages of approximately \$700 for repairs to premises under a lease. UBS has filed a third party claim against a sub-tenant for indemnification of any damages to the subleased premises. Management believes it has a good defense and intends to vigorously defend its position.
- (d) On June 8, 2005 an investment dealer filed a third party claim against UBS resulting from litigation against that investment dealer by two shareholders of UBS. The claim against the investment dealer, for \$42,000, is for negligence and breach of contract pertaining to a secondary sale of UBS shares in 2000, on behalf of the two shareholders. The third party claim against UBS alleges that UBS indemnified the investment dealer against claims on the performance of the investment dealer with respect to this secondary sale of UBS shares. Management sees no merit in the third party claim and intends to vigorously defend its position.

16. FINANCIAL INSTRUMENTS:

(a) Foreign exchange risk:

The Company carries out some transactions in U.S. dollars and is exposed to fluctuations in exchange rate changes. As at August 31, 2005, approximately 1.0% (2004 - 1.0%) of the balance of accounts payable and accrued liabilities was denominated in U.S. dollars. The Company has not entered into derivative instruments to mitigate these risks.

(b) Credit risk:

The Company is exposed to credit risk from its customers. However, credit risk concentration is minimized because of the large number of customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

(c) Fair values:

The fair values of instruments with short-term maturities, being cash and cash equivalents, short-term investments, accounts receivable, restricted cash and accounts payable and accrued liabilities, approximate their carrying values due to the short-term nature of these instruments. The fair value of long-term debt, which bears interest at current market rates, approximates its carrying value based on discounted cash flow using current market rates.

17. RELATED PARTY TRANSACTIONS:

(a) Sale of equipment to Look:

During fiscal 2004, UBS sold network equipment amounting to \$2,127 to Look. The purchase was financed by a promissory note, issued to UBS, bearing interest at an annual rate of 8%, payable on the earlier of 15 days after Look completed a public financing or December 31, 2004. These transactions were conducted and measured in the normal course of business at commercial prices established and agreed to by both parties. The amount due to UBS was repaid on February 5, 2004.

(b) Management Services Agreement:

On May 19, 2004, UBS and Look entered into an agreement under which UBS will provide Look with a wide range of services designed to maximize Look's full commercial potential.

Under the terms of the agreement, Look was required to pay a one-time fee of \$1,200 and is required to pay an annual fee of \$2,400. Look may, from time to time, recognize the performance of UBS in the form of cash bonus payments, direct grant of treasury shares of Look, or options for the purchase of subordinate voting shares from treasury. All options shall conform to Look's stock option plan. Look shall also reimburse UBS for certain expenses and disbursements incurred in respect of the agreement and the services provided by UBS. The initial term of the agreement is for a moving three-year period commencing on May 19, 2004 (the "execution date"). On each anniversary of the execution date, the term will automatically recommence unless, prior to an annual anniversary, Look's Board of Directors has communicated in writing to UBS its intent that the agreement not recommence, in which event, the agreement expires on the completion of the remaining term.

(c) Rent of Premises

UBS has subleased a portion of Look's premises for a five year term at an annual rent of \$72.

(d) Alex Dolgonos, Former President and CEO:

During fiscal 2003, UBS entered into a consulting agreement with Mr. Dolgonos for an initial term of five years, under which he will receive consulting fees, subject to annual review by the Board of Directors. At the discretion of the Board of Directors, an annual bonus may also be awarded to Mr. Dolgonos. Pursuant to this agreement, consulting fees of \$370 (2004 - \$510) and a bonus of \$183 (2004 - \$164) was paid to Mr. Dolgonos during the year ended August 31, 2005. This agreement also provided for the grant of 2,000,000 stock options with an exercise price of \$0.48. On the date of grant, the quoted market price of UBS's common shares was \$0.20. The first 1,000,000 stock options vest at the time UBS's common share price reaches \$0.60 and the second 1,000,000 stock options vest at the time UBS's share price reaches \$0.72. These options are exercisable in the period commencing on the initial vesting date and ending on the earlier of (a) the fifth anniversary from the initial vesting date and (b) October 2012. As at August 31, 2005, none of these options had vested.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except shares and per share amounts)

Year ended August 31, 2005 and fifteen months ended August 31, 2004

In addition, this agreement contemplated that UBS will grant Mr. Dolgonos an additional 1,000,000 stock options in each of 2003 and 2004. The exercise price for these stock options will be set at the market price at the date of grant and these options will vest in one-third increments, on the first three anniversary dates following the grant dates. These additional stock options are exercisable during the period commencing on the vesting date and ending on the fifth anniversary of the grant date. On each of March 18, 2003 and August 31, 2004, 1,000,000 stock options were issued with an exercise price of \$0.23 and \$0.15, respectively, the market prices at those dates. The Company is accounting for these options using the fair value based method. Under the fair value based method, stock-based compensation is measured at the fair value of the options granted.

The fair value of stock-based compensation is periodically re-measured until counterparty performance is complete, and any change therein is recognized over a period of five years. For the period ended August 31, 2005, the Company recorded \$28 (2004 - \$16) in stock-based compensation related to these options.

18. COMMITMENTS:

Future minimum annual lease payments under operating leases for premises and equipment for the fiscal years ending August 31 are as follows:

2006	\$807
2007	697
2008	667
2009	323
2010	210
Thereafter	347
	<hr/>
	\$3,051

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS:

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2005.

**Board of Directors**

Gerald T. McGoey
Peter Minaki
Louis Mitrovich
Douglas Reeson

Officers

Gerald T. McGoey
Chairman and Chief Executive Officer

Malcolm Buxton-Forman
Chief Financial Officer

Chief Technology Consultant

Alex Dolgonos

Auditors

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
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Shareholder Inquiries

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Common Shares

The common shares of the Company are listed on the TSX Venture Exchange under the symbol UBS.

UBS

Unique Broadband Systems, Inc.