

Consolidated Financial Statements

UNIQUE BROADBAND SYSTEMS, INC.

Years ended August 31, 2008 and 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Unique Broadband Systems, Inc. (the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements.

Management of the Company believes the internal controls provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit and Corporate Governance Committee (the "Audit Committee").

The Audit Committee meets periodically with management, as well as with external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.



Gerald T. McGoey
Chairman and Chief Executive Officer



Malcolm Buxton-Forman
Chief Financial Officer

November 20, 2008

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Unique Broadband Systems, Inc. as at August 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants

Toronto, Canada
November 20, 2008

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Balance Sheets
(In thousands of Canadian dollars)

August 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (note 4(a))	\$ 5,168	\$ 9,650
Accounts and other receivables	326	714
Inventory	52	62
Prepaid expenses and deposits	511	440
	6,057	10,866
Restricted cash (note 4(b))	490	500
Property and equipment (note 5)	7,503	12,508
Deferred charges (note 6)	63	129
	\$ 14,113	\$ 24,003

Liabilities and Shareholders' Equity (Deficiency)

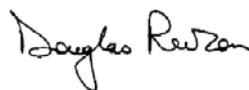
Current liabilities:		
Accounts payable	\$ 11,932	\$ 12,489
Accrued liabilities and provisions	5,004	5,572
Unearned revenue	737	819
Long-term debt, due within one year (note 7)	1,787	14
Current portion of liability component of convertible debentures (note 8)	26	27
	19,486	18,921
Long-term debt (note 7)	—	1,800
Liability component of convertible debentures (note 8)	903	769
Non-controlling interest (note 9)	422	2,202
Shareholders' equity (deficiency):		
Share capital (note 10)	58,139	58,139
Contributed surplus (note 10(c))	2,643	2,056
Deficit	(67,480)	(59,884)
	(6,698)	311
Basis of presentation - going concern (note 1)		
Commitments and contingencies (note 16)		
Subsequent event (note 19)		
	\$ 14,113	\$ 24,003

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Operations and Deficit
(In thousands of Canadian dollars, except shares and per share amounts)

Years ended August 31, 2008 and 2007

	2008	2007
Service and sales revenue (note 14)	\$ 20,312	\$ 24,620
Carrier charges and cost of sales (note 14)	10,311	11,996
Gross margin	10,001	12,624
Expenses:		
Marketing and sales	20	150
Customer care	1,447	1,978
Engineering and operations	2,903	3,325
General and administration	9,711	10,455
Amortization of property and equipment (note 5)	5,132	5,701
Amortization of deferred charges (note 6)	39	67
	19,252	21,676
	(9,251)	(9,052)
Accretion on liability component of convertible debentures	(116)	(159)
Interest and finance charges	(282)	(204)
Interest income	279	397
Gain/(loss) on disposition of property and equipment	10	(14)
Loss from continuing operations before non-controlling interest	(9,360)	(9,032)
Non-controlling interest (note 9)	1,869	5,851
Loss from continuing operations	(7,491)	(3,181)
Loss from discontinued operations (note 11)	-	(1,000)
Loss and comprehensive loss for the year	(7,491)	(4,181)
Deficit, beginning of year:		
As previously reported	(59,884)	(55,703)
Change in accounting policy related to financial instruments (note 2(n)(ii))	(105)	-
As restated	(59,989)	(55,703)
Deficit, end of year	\$ (67,480)	\$ (59,884)
Loss per share from continuing operations:		
Basic and diluted	\$ (0.07)	\$ (0.03)
Loss per share from discontinued operations:		
Basic and diluted	\$ -	\$ (0.01)
Loss per share:		
Basic and diluted	\$ (0.07)	\$ (0.04)
Weighted average number of outstanding shares in thousands:		
Basic and diluted (note 10)	102,748	102,748

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended August 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Loss from continuing operations	\$ (7,491)	\$ (3,181)
Non-controlling interest	(1,869)	(5,851)
Amortization of property and equipment	5,132	5,701
Amortization of deferred charges	39	67
Interest and finance charges	14	–
Amortization of stock-based compensation	587	1,128
Accretion on liability component of convertible debentures	116	159
Loss (gain) on disposition of property and equipment	(10)	14
Change in non-cash operating working capital (note 13(a))	844	3,638
Cash flows from (used in) continuing operations	(2,638)	1,675
Cash flows used in discontinued operations (note 11)	(1,724)	(350)
Cash flows from (used in) operating activities	(4,362)	1,325
Cash flows from financing activities:		
Interest on convertible debentures	–	(1)
Repayment of obligations under capital leases	(14)	(39)
Exercise of stock options	1	5
Cash flows used in financing activities	(13)	(35)
Cash flows from investing activities:		
Restricted cash	10	11
Purchase of property and equipment	(127)	(159)
Proceeds on disposition of property and equipment	10	27
Cash flows used in investing activities	(107)	(121)
Increase (decrease) in cash and cash equivalents	(4,482)	1,169
Cash and cash equivalents, beginning of year	9,650	8,481
Cash and cash equivalents, end of year	\$ 5,168	\$ 9,650

Supplemental cash flow information (note 13(b))

See accompanying notes to consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2008 and 2007

Unique Broadband Systems, Inc. (the "Company") is a publicly listed Canadian company that has a 51.7% fully diluted equity interest in Look Communications Inc. ("Look") and other assets. With its spectrum and broadcast licences 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. ("UBS Wireless"). References to the Company include UBS and Look.

The Company's origin 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 (see note 11). During 2003, UBS completed certain transactions to acquire a controlling interest in Look.

1. Basis of presentation:

These consolidated financial statements have been prepared, on a going concern basis, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with respect to the preparation of financial statements. 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 commitments in the normal course of business. There is significant doubt about the Company's use of the going concern assumption because it has incurred significant operating losses and negative cash flows from operations in recent years and has a working capital deficiency of \$13,429 as at August 31, 2008 (2007 - \$8,055).

The Company will need to raise cash in order to meet the needs of its existing operations beyond fiscal 2009. This requirement and timing for capital may be adversely impacted by, amongst other things, a lack of available financing through traditional banking sources, the outcome of the contingencies (note 16(b)), a faster rate of decline in subscribers than experienced during fiscal 2008 and negative pressure on average revenue per user. In order to alleviate this cash requirement, the Company will continue to seek any and all ways to obtain financing through, amongst other things, partnering arrangements, debt and equity partners, the sale of certain subscribers, arrangements involving some or all of Look's spectrum and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

1. Basis of presentation (continued):

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond August 31, 2009.

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying value and balance sheet classifications of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

2. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company's controlled subsidiary, Look, and its wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

In accordance with The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1600, Consolidated Financial Statements ("Section 1600"), when the losses applicable to the non-controlling interest in Look exceeded the non-controlling interest's carrying value in Look, which occurred during the third quarter of fiscal 2008, the excess and any further losses will be fully absorbed by the Company. Subsequent earnings, if any, recorded by Look, should be allocated entirely to the Company's interest until such previously fully absorbed losses are recovered.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

(b) 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 year. Actual results could differ from those estimates. Significant estimates are used in determining allowances for doubtful accounts, useful lives of property and equipment, property and equipment impairment assessments, income tax valuation allowances, certain liabilities for cost of carrier services, stock-based compensation expense and contingent liabilities.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of all bank balances and highly liquid short-term investments with original maturities of less than 90 days. Cash equivalents include guaranteed investment certificates and bankers' acceptances. Cash and cash equivalents have been classified as held-for-trading.

(d) Inventory:

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

(e) Property and equipment:

Property and equipment is recorded at cost less accumulated amortization. Amortization is provided at rates and on bases designed to amortize the cost of the assets over their estimated useful lives as follows:

Asset	Basis	Rate
Building	Declining balance	4%
Headend and network equipment	Straight line	8 - 10 years
Customer connections	Straight line	5 - 10 years
Computer hardware	Declining balance	30%
Computer software	Straight line	Up to 1 year
Office equipment and other	Declining balance	20%
Vehicles under capital leases	Declining balance	30%

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

Property and equipment associated with the Company's network and customer connections is 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.

(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. See note 5 regarding the impairment recognized during the year ended August 31, 2007.

(g) Deferred charges:

Deferred charges consist primarily of licence renewal application costs and deferred financing charges. Licence renewal application costs represent expenditures incurred in the course of obtaining the licence renewals from the Canadian Radio-television and Telecommunications Commission ("CRTC") and are being amortized on a straight-line basis over the term of the licence of approximately seven years. On September 1, 2007, upon adoption of the financial instrument standards, certain deferred financing charges were reclassified with an adjustment to long-term debt (note 2(n)(ii)).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

(h) Revenue recognition:

Services revenue, comprised of Broadcast, Internet and Other, is presented net of discounts granted to new subscribers as incentives. Broadcast Services revenue is earned from the provision of digital television services to residential and business subscribers. Internet Services revenue is earned primarily from monthly and annual subscriptions from individuals and businesses for access to the Internet. The Company earns Other Services revenue by providing web-hosting and other value-added services, such as domain name registration and web server co-location. Revenue from domain name registration for all service periods is recognized when invoiced, as the Company has no future obligation to the consumer. Web-hosting and server co-location charges invoiced 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 subscribers 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.

(i) 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 proceeds will be received.

(j) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect at the date of the transaction. Resulting exchange gains or losses are included in the loss for the year.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

(k) Income taxes:

Under the asset and liability method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the years in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(l) Stock-based compensation:

(i) Stock option incentive plan:

UBS has a stock option incentive plan, which is described in note 10(d). UBS accounts for all stock options to employees and non-employees using the fair value-based method. Under the fair value-based method, compensation cost attributable to awards to employees and directors is measured at fair value at the grant date and recognized over the vesting period. Forfeitures are accounted for as they occur. Consideration paid by employees and non-employees on the exercise of stock options is recorded as share capital.

For non-employee awards, the fair value of stock-based compensation is periodically remeasured until counterparty performance is complete, and any change therein is recognized over the vesting period of the option grant.

(ii) Share appreciation rights plan:

UBS has a share appreciation rights ("SAR") plan ("SAR Plan"), which is described in note 10(e). UBS accounts for SAR units as a liability and compensation cost is recorded based on the intrinsic value of the award when it is considered likely that the terms and conditions of the SAR Plan that govern the awards will be met.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

(m) Basic and diluted loss per share:

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

(n) Changes in accounting policies:

(i) Accounting changes:

In 2006, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1506, Accounting Changes ("Section 1506"). Section 1506 prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard was adopted by the Company on September 1, 2007.

(ii) Financial instruments:

Effective September 1, 2007, the Company adopted retrospectively without adjustment of prior years, the recommendations of Section 1530, Comprehensive Income; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; Section 3865, Hedges; and Section 3251, Equity. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income is defined by revenue, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income, in conformity with Canadian GAAP.

Under the new standards, all financial assets are classified as held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale. Also, all financial liabilities must be classified as held-for-trading or other financial liabilities. The financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest method. The change in the fair value of a financial asset or financial liability classified as held-for-trading is included in operations in the period in which it arises, and the change in the fair value of available-for-sale financial assets is recognized in other comprehensive income until the financial asset is derecognized and any cumulative gain or loss is then recognized in operations.

As a result of the adoption, the Company's financial liabilities must be measured at amortized cost using the effective interest rate method. On adoption, this resulted in an increase of the liability component of the convertible debentures of \$105 and an offsetting entry to shareholders' deficit.

As a result of the implementation of the standards, the Company has classified cash and cash equivalents as held-for-trading. Accounts receivable and other receivables have been classified as held-for-trading. Accounts payable and accrued liabilities have been classified as held-for-trading. Long-term debt and the liability component of the convertible debentures have been classified as financial liabilities. The Company has not classified any financial asset as available-for-sale or held-to-maturity. The remeasurement of held-for-trading financial assets and liabilities on adoption to fair value did not have a material impact on the consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value with changes in fair value recorded in the consolidated statement of operations and deficit unless they are effective cash flow hedges. As part of the process of implementing these new standards, all significant contracts signed after January 1, 2003, were reviewed to identify embedded derivatives requiring separation from the host contract. No material-embedded derivatives requiring separation were identified.

The Company has historically capitalized and amortized deferred financing charges. Effective September 1, 2007, the Company reclassified the unamortized costs against the related financial liabilities. The impact on adoption was to decrease the deferred financing charges and long-term debt by \$27.

The Company has determined that it has no other comprehensive income or loss transactions during the year and no opening or closing balances in accumulated other comprehensive income or loss.

(o) Recent accounting pronouncements:

The following accounting pronouncements have been released but have not yet been adopted by the Company:

(i) Capital disclosures:

In December 2006, the Accounting Standards Board ("AcSB") issued Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, being the interim period beginning on September 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

(ii) Financial instruments - disclosures:

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which supersedes Section 3861, Financial Instruments - Disclosures and Presentation. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3862 requires disclosures, by class of financial instrument that enables users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable.

This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, being the interim period beginning on September 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

(iii) Financial instruments - presentation:

In December 2006, the AcSB approved Section 3863, Financial Instruments - Presentation, which supersedes Section 3861, Financial Instruments - Disclosure and Presentation. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863, Financial Instruments - Presentation.

This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, being the interim period beginning on September 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

2. Significant accounting policies (continued):

(iv) Inventory:

In June 2007, the AcSB issued Section 3031, Inventories, which replaces Section 3030, Inventories. The standard revises guidance on the determination of cost, recognition and subsequent measurement and disclosures of inventory.

The standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, specifically September 1, 2008 for the Company. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

3. Investment in Look:

At August 31, 2008, UBS Wireless held 24,864,478 Multiple Voting Shares and 29,084,973 Subordinate Voting Shares in Look (2007 - 24,864,478 Multiple Voting Shares and 28,614,442 Subordinate Voting Shares). In addition, UBS Wireless is the holder of a convertible debenture in the principal amount of \$3,000, which may be converted into 20,000,000 Multiple Voting Shares and 20,000,000 Subordinate Voting Shares. On a fully diluted basis, UBS Wireless holds 51.7% of Look.

4. Cash:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of all bank balances and highly liquid short-term guaranteed investment certificates and bankers' acceptances with original maturities of less than 90 days. At August 31, 2008, the Company had cash and cash equivalents of \$5,168 (2007 - \$9,650).

(b) Restricted cash:

At August 31, 2008, the Company pledged \$490 (2007 - \$500) of cash to its banks as collateral for the processing of credit card transactions. Of this amount, \$350 is held in interest bearing certificates at 2%.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

5. Property and equipment:

2008	Cost	Accumulated amortization	Net book value
Land	\$ 195	\$ –	\$ 195
Building	1,432	474	958
Headend and network equipment	34,598	31,084	3,514
Customer connections	20,767	18,993	1,774
Computer hardware and software	19,531	19,274	257
Office equipment and other	2,544	1,803	741
Vehicles under capital leases	288	224	64
	\$ 79,355	\$ 71,852	\$ 7,503

2007	Cost	Accumulated amortization	Net book value
Land	\$ 195	\$ –	\$ 195
Building	1,402	435	967
Headend and network equipment	33,071	26,584	6,487
Customer connections	13,537	9,917	3,620
Computer hardware and software	19,502	19,169	333
Office equipment and other	2,542	1,702	840
Vehicles under capital leases	267	201	66
	\$ 70,516	\$ 58,008	\$ 12,508

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

During the fourth quarter of 2007, Look completed a review of the carrying amount of its long-lived property and equipment. Through this review and based on, amongst other things, subscriber attrition and technological changes within the telecommunications sector, Look determined that certain of these long-lived property and equipment were carried at amounts greater than their net recoverable amounts (based on undiscounted estimated future net cash flows). As a result of the foregoing, a non-cash write-down, net of consolidation adjustments, of \$1,037, was recorded in amortization of property and equipment, bringing the carrying values of the assets on par with their fair values. The fair values of the assets subject to impairment were determined using quoted market prices, where available, offers to purchase, or management's assessment of market values for similar assets.

During the fourth quarter of 2008, Look completed a similar review of its property and equipment and noted no impairment relative to the carrying amount.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

6. Deferred charges:

2008	Cost	Accumulated amortization	Net book value
Licence renewal application costs	\$ 252	\$ 191	\$ 61
Customer lists	12	10	2
	<u>\$ 264</u>	<u>\$ 201</u>	<u>\$ 63</u>

2007	Cost	Accumulated amortization	Net book value
Licence renewal application costs	\$ 252	\$ 154	\$ 98
Deferred financing	169	142	27
Customer lists	12	8	4
	<u>\$ 433</u>	<u>\$ 304</u>	<u>\$ 129</u>

Effective September 1, 2007, the Company adopted the applicable financial instruments standards and reclassified the deferred financing costs to the amortized cost of the respective financial liability, being long-term debt (note 2(n)(ii)).

7. Long-term debt:

	2008	2007
Mortgage payable (a)	\$ 1,787	\$ 1,800
Obligations under capital leases	—	14
	<u>1,787</u>	<u>1,814</u>
Less current portion	1,787	14
	<u>\$ —</u>	<u>\$ 1,800</u>

(a) The mortgage payable of \$1,800 bears interest at 10.5% per annum and matures on August 21, 2009. The mortgage is collateralized by a general security agreement over the assets at Look's Milton, Ontario premises, and a first legal charge over the land and building of Look. Effective September 1, 2007, the mortgage is presented net of deferred financing charges on the balance sheet.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

7. Long-term debt (continued):

Long-term debt is repayable as follows:

2009	\$ 1,787
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8. Convertible debentures:

The convertible secured debentures bear interest at a rate of 7% per annum and will mature on December 30, 2013. Look pays interest on the debentures semi-annually in arrears, on June 30 and December 30 of each year, which commenced on June 30, 2004. Look carries the debentures at amortized cost using an effective interest rate of 13.6%. The debentures are convertible at the option of the holder into Multiple Voting and Subordinate Voting Shares of Look at a conversion price of \$0.075 per each Multiple Voting and Subordinate Voting Share, representing 6,667 Multiple Voting Shares and 6,667 Subordinate Voting Shares per \$1 debenture. The convertible debentures are bifurcated into their debt and equity components. Look has the option to settle its obligation to pay interest and repay principal by issuing shares of Look. As at August 31, 2008, the outstanding face value, representing the non-controlling interest in Look's debentures, was \$1,186.

9. Non-controlling interest:

Non-controlling interest in the consolidated balance sheets of the Company represents the non-controlling interest in the equity of Look and the non-controlling interest's equity component of convertible debentures in Look, as set out in the table below. Reported losses by Look are allocated to the non-controlling interest at 49% but are limited to the extent of any remaining non-controlling interest in the equity of Look. During the third quarter of fiscal 2008, the non-controlling interest in Look's equity was eliminated and the Company absorbed almost all of the losses incurred by Look in the third and fourth quarters, resulting in an increase of \$1,717 in the reported loss from continuing operations in fiscal 2008. Since the non-controlling interest in the equity of Look has been eliminated, subject to any further increases in the non-controlling interest in Look resulting from, amongst other things, conversions by Look's debenture holders and payment by Look of interest in subordinate voting shares, all future losses of Look will be fully absorbed by the Company. Subsequent earnings, if any, recorded by Look, will be allocated entirely to the Company's interest until such previously fully absorbed losses are recovered.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

9. Non-controlling interest (continued):

The non-controlling interest in Look is set out below:

	2008	2007
Shares and equity	\$ –	\$ 1,778
Equity component of convertible debentures	422	424
Non-controlling interest in Look	\$ 422	\$ 2,202

10. Share capital:

- (a) Authorized:
- Unlimited common shares
 - Unlimited Class A non-voting shares

- (b) Issued and outstanding:

As at August 31, 2008 and 2007, the Company had 91,442,522 common shares and 11,305,322 Class A non-voting shares issued and outstanding.

- (c) Contributed surplus:

	2008	2007
Balance, beginning of year	\$ 2,056	\$ 1,041
Stock-based compensation	587	1,015
Balance, end of year	\$ 2,643	\$ 2,056

- (d) Stock option plan:

UBS' stock option plan (the "Option Plan") provides for the granting of stock options to employees, directors and consultants of UBS. Under the Option Plan, up to 19,765,396 common shares may be issued from treasury. The exercise price of the options is determined by the Board of Directors at the time of the grant of an option, but cannot be lower than the closing market price of the Company's shares on the TSX Venture Exchange on the business day immediately preceding the day on which an option is granted. In the absence of terms specifying otherwise, options vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

10. Share capital (continued):

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

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	15,974,000	\$ 0.26	15,954,000	\$ 0.28
Granted	2,258,000	0.39	2,620,000	0.35
Cancelled/expired	(2,258,000)	0.35	(2,600,000)	0.48
Outstanding, end of year	15,974,000	\$ 0.27	15,974,000	\$ 0.26

A summary of the status of the Option Plan as at August 31, 2008 is as follows:

Exercise price	Options outstanding, end of year	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable, end of year
\$0.12 - \$0.14	2,008,000	2.6	\$ 0.13	2,008,000
\$0.15 - \$0.17	5,012,000	1.1	0.16	5,012,000
\$0.19 - \$0.20	500,000	1.6	0.20	500,000
\$0.21 - \$0.27	1,576,000	1.0	0.24	1,576,000
\$0.28 - \$0.34	3,020,000	3.9	0.33	13,333
\$0.40 - \$0.48	3,858,000	3.9	0.45	2,579,000
	15,974,000	2.5	\$ 0.27	11,688,333

During the year ended August 31, 2008, UBS recorded stock-based compensation expense of \$129 (2007 - \$135) related to options issued to employees and \$258 (2007 - \$880) related to options issued to non-employees, which has been recorded in contributed surplus. The fair value for the options granted during the year was determined using the Black-Scholes option pricing model with the following weighted average assumptions: an average risk-free interest rate of 3% (2007 - 4.5%), a dividend yield of nil (2007 - nil), a volatility factor of the expected market price of UBS shares of 109% (2007 - 123%), and an expected option life of 4.2 years (2007 - 4.7 years). The weighted average fair value of options granted in the year was \$0.24 (2007 - \$0.29). The options have varying vesting terms and expire between five years and ten years from the date of grant.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

10. Share capital (continued):

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.

(e) Share appreciation rights plan:

On October 12, 2006, the Board of Directors approved a SAR Plan for UBS. Pursuant to the SAR Plan, directors, employees and consultants may be awarded units from time to time that are subject to conditions set by the Board of Directors. The value of a SAR unit is equivalent to the market value at the date when all the conditions attached to the SAR unit are met, less the market value on the date of the award of the unit.

During fiscal 2008, the Board of Directors awarded 3,300,000 SAR units at a grant price of \$0.30 based on the opening market value of a UBS common share on the date of the award. The awards are subject to specific terms and conditions being fulfilled.

As at August 31, 2008, the Board of Directors had awarded 11,300,000 SAR units (2007 - 8,000,000) at a weighted average grant price of \$0.20 based on the opening market values of UBS' common shares on the date of the awards. The awards are subject to specific terms and conditions being fulfilled. No charges in respect of SARs awarded have been recorded in the financial statements for the year ended August 31, 2008 (2007 - nil).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

11. Discontinued operations:

The charge to discontinued operations in fiscal 2007 related to the provision for the settlement of a claim against UBS in respect of leased premises used by UBS Technologies A/S, its Danish subsidiary, which was petitioned into bankruptcy in 2003. During October 2007, UBS made the final payment of \$1,724 in the settlement of this claim. The consolidated balance sheets include the following amounts related to discontinued operations:

	2008	2007
Accrued liabilities	\$ 147	\$ 1,871

12. Income taxes:

(a) Income tax recovery:

Total income tax recovery varies from the amounts that would be computed by applying the statutory income tax rate of 34.37% (2007 - 36.12%) to loss before income taxes for the following reasons:

	2008	2007
Effective income tax recovery on loss before income taxes	\$ (3,217)	\$ (3,623)
Decrease (increase) results from:		
Expiration of Ontario income tax loss carryforwards	–	924
Change in valuation allowance for future income tax assets allocated to income tax expense	(11,651)	(3,582)
Adjustments to future income tax assets and liabilities for enacted changes in tax laws and rates	14,420	6,677
Other	448	(396)
	\$ –	\$ –

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

12. Income taxes (continued):

(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:

	2008	2007
Future income tax assets:		
Non-capital and capital income tax losses carried forward and eligible capital expenditures	\$ 101,782	\$ 114,753
Property and equipment - differences in net book value and undepreciated capital cost	4,030	4,165
Future deductions relating to scientific research and development	3,892	2,694
Future deductions related to financing charges and other provisions	443	267
	<u>110,147</u>	<u>121,879</u>
Future income tax liability:		
Future income inclusion relating to labour tax credits	—	(111)
Less valuation allowance	(110,147)	(121,768)
	<u>(110,147)</u>	<u>(121,879)</u>
	<u>\$ —</u>	<u>\$ —</u>

In December 2007, Look implemented the reorganization plan (the "Plan") approved on October 10, 2007, by transferring certain assets to an entity that is 100% controlled by Look. The purpose of the Plan is to utilize certain of Look's non-capital losses, which would have otherwise expired.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

12. Income taxes (continued):

(c) Income tax losses:

As at August 31, 2008, the Company had the following federal non-capital income tax losses, which may be carried forward to reduce future year's taxable income. These losses will expire in the calendar years ending December 31 as follows:

2009	\$	25,519
2010		199,090
2014		21,666
2015		1,056
2026		403
2027		2,215
2028		2,282
	\$	252,231

In addition, as at August 31, 2008, the Company had allowable capital losses of \$2,059 with an unlimited expiration period.

As at August 31, 2008 and 2007, the Company had investment tax credits available for carryforward totalling approximately \$3,092. The benefit of this amount has also not been reflected in these consolidated financial statements.

13. Consolidated statement of cash flows:

(a) The change in non-cash operating working capital in respect of continuing operations consists of the following:

	2008	2007
Accounts and other receivables	\$ 388	\$ 675
Inventory	10	112
Prepaid expenses and deposits	(71)	197
Accounts payable, accrued liabilities and provisions	599	2,791
Unearned revenue	(82)	(137)
	\$ 844	\$ 3,638

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

13. Consolidated statement of cash flows (continued):

(b) Supplemental cash flow information:

	2008	2007
Interest paid	\$ 268	\$ 204
Interest received	279	397

14. Segment disclosure:

The Company currently operates in a single segment as a wireless broadband carrier, delivering a full range of communications services, including wireless digital television distribution, high speed and dial up internet access and web-related services, including web-hosting and domain name registrations. Refer to note 2(h) for additional details.

During the first quarter of fiscal 2009, Look sold its web hosting and domain name business for consideration of approximately \$3,800 (note 19).

The service and sales revenue and carrier charges and cost of sales are as follows:

	2008		2007	
Service	Service and sales revenue	Carrier charges and cost of sales	Service and sales revenue	Carrier charges and cost of sales
Broadcast	\$ 8,711	\$ 5,256	\$ 10,903	\$ 6,163
Internet	7,825	3,556	9,370	3,954
Other	3,529	1,275	3,957	1,483
Service revenue	20,065	10,087	24,230	11,600
Sales and installations	247	224	390	396
Total	\$ 20,312	\$ 10,311	\$ 24,620	\$ 11,996

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.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

15. Economic dependence:

Look purchases a significant portion of its telecommunications services from Bell Canada. These telecommunication services are not available from other service providers and, as a result, the provision of many of Look's service offerings to its subscribers and the revenue generated therefrom are dependent upon Bell Canada continuing to provide its network services to Look (note 16(b)(ii)).

16. Commitments and contingencies:

(a) Commitments:

- (i) Future minimum annual lease payments under operating leases for premises and equipment as at August 31, 2008 are as follows:

2009	\$	534
2010		395
2011		345
2012		325
2013		119
		<hr/>
		\$ 1,718

During the year, operating lease rental expense was \$1,050 (2007 - \$1,060).

- (ii) Pursuant to CRTC regulation, Look is required to make annual contributions to the Canadian Television Fund ("CTF"), which is a cable industry fund designed to foster the production of Canadian television programming. Contributions to the CTF are based on a formula, including gross broadcast revenue and the number of subscribers. Look may elect to spend a portion of the above amount for local television programming and may also elect to contribute a portion to another CRTC-approved independent production fund. Look estimates that its total contributions to the CTF and CRTC for 2009 will amount to approximately \$350.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

16. Commitments and contingencies (continued):

(b) Contingencies:

(i) Claim for damages against Inukshuk et al.:

In April 2004, UBS Wireless filed a Statement of Claim against Allstream Inc. (now MTS Allstream Inc.), Microcell Telecommunications Inc., Microcell Solutions Inc. and Inukshuk Internet Inc. (now wholly owned subsidiaries of Rogers Communications Inc. ("Rogers")) (collectively the "Defendants"). The damages claimed, totalling \$160,000 against the Defendants, are for, amongst other things, specific performance, breach of contract, breach of confidence and breach of fiduciary duty as a result of the Defendants actions involving the MCS spectrum.

As a result of a request by Bell Canada and Rogers for Industry Canada to transfer the MCS spectrum out of the companies being litigated against, UBS Wireless filed a Statement of Claim in August 2007 against the Inukshuk Wireless Partnership (the "Partnership"), which is jointly owned by Rogers and Bell Canada. The claim is for, amongst other things, a mandatory order requiring the Partnership to return to Fido Solutions Inc. ("Fido", formerly Microcell Telecommunications Inc.) any and all rights or licences to use or exploit the MCS spectrum and such other, interim, interlocutory or final relief as may be necessary to enable Fido to comply with any order requiring the specific performance of certain obligations to UBS Wireless.

During the year, the Ontario Superior Court of Justice dismissed the 2007 claim against the Partnership and as a result, UBS Wireless has commenced proceedings to appeal the Court's decision.

The assets and rights pursuant to the agreement related to the MCS spectrum are significant to the Company's shareholders and as such, UBS intends to vigorously pursue its rights.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

16. Commitments and contingencies (continued):

(ii) Bell Canada:

In response to Bell Canada's April 10, 2007 "Notice of Intent to Disconnect" Look's services, on April 27, 2007, Look filed a Statement of Claim with the Ontario Superior Court of Justice against Bell Canada. Look claims damages in the aggregate amount of \$25,000 plus interest, costs, and any applicable taxes for, amongst other things, Bell Canada's breach of contract, misrepresentation, and unlawful interference with economic relations. Look is also seeking \$10,000 in aggravated and/or punitive damages.

On May 8, 2007, Look filed a Notice of Motion seeking Interim and Interlocutory Injunctions (the "Injunctions") preventing Bell Canada from terminating, reducing, restricting, or in any way interfering with the telecommunications services provided by Bell Canada to Look pending the final determination of the motion or until such other time as the Court may direct. The Injunctions were heard by the Ontario Superior Court of Justice on July 23, 2007 and granted on July 31, 2007. In light of the Injunctions granted, Look believes it will be able to carry on business in the normal course of operations.

The major Terms and Conditions of the Injunctions are as follows:

- (a) Look will pay Bell Canada \$360 per month from May 1, 2007;
- (b) Look may not encumber or transfer its spectrum licence without the consent of the Court; and
- (c) Bell Canada will pay Look's costs of the Injunctions.

Look is fully complying with the Terms and Conditions set forth by the Ontario Superior Court of Justice. Look will expeditiously continue to vigorously pursue its aforementioned Statement of Claim against Bell Canada.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

16. Commitments and contingencies (continued):

On July 5, 2007, Bell Canada filed its Statement of Defence and Counterclaim against Look claiming, amongst other things, damages for trade payables in the amount of \$13,689, damages in the amount of \$2,300 for credit notes improperly issued by Bell Canada, and \$1,000 in aggravated and/or punitive damages. The legal outcome of the claims described herein may result in the obligation recognized as of August 31, 2008 being materially different, either positively or negatively, than the amount ultimately settled.

The hearing date for these actions has yet to be determined and the outcome of these actions cannot be predicted at this time. These claims are significant to the Company's shareholders. In the Company's opinion, Bell Canada's Counterclaim is without merit and Look intends to vigorously pursue its rights.

(iii) Craig Wireless International Inc.:

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 claims 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. Statements of Defence were filed by the Company in October 2008.

The Company believes that the entire claim is without merit and intends to vigorously defend itself.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

16. Commitments and contingencies (continued):

(iv) Border Broadcasters Inc. et al.:

On December 27, 2007, Border Broadcasters Inc. et al. ("Border Broadcasters") served a Statement of Claim against Look filed before the Federal Court. In its action, Border Broadcasters is seeking, amongst other things:

- (a) Payment of royalties due in the amount of \$4,500 for the retransmission of distant television signals pursuant to:
 - (i) The Statement of Royalties to be Collected for the Retransmission of Distant Radio and Television Signals in Canada in 1998 through to 2003 as certified by the Copyright Board of Canada, and
 - (ii) The Interim Tariffs for the Retransmission of Distant Radio and Television Signals in Canada for the period commencing January 1, 2004.
- (b) Pre-judgment interest on unpaid royalties in the amount of \$2,500.

Look believes that all debts, including any royalties due up to and including February 11, 2002, were extinguished by virtue of the Plan of Implementation approved by the Court under the Plan of Arrangement effective February 11, 2002. In addition, Look notes that the Interim Tariffs referred to above for the period commencing January 1, 2004 remain uncertified by the Copyright Board of Canada.

Look intends to vigorously defend itself and the outcome of this action cannot be predicted at this time.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

16. Commitments and contingencies (continued):

(v) In 2003 and 2004, lawsuits by a group of plaintiff companies, which did not include the Company, were commenced alleging that a certain type of license fee collected by the CRTC represents in fact an unlawful tax. On December 14, 2006, the Federal Court ruled that the CRTC did not have the jurisdiction to charge this fee. An appeal was filed by the CRTC and on April 28, 2008, the Federal Court of Appeal overturned this decision and ruled that the fee in fact represents a valid regulatory charge. The plaintiff companies are in disagreement with this latest ruling and have filed an application for leave to appeal with the Supreme Court of Canada. No assurance can be provided that the Court will hear the appeal or overturn this latest decision. The Company has recorded an expense of \$240 over the course of the past two years related to the fee and will continue to record an annual expense of this nature on a prospective basis pending a final resolution to the action.

(vi) Danish claims:

Certain claims have been filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies AIS), its Danish subsidiary that was petitioned into bankruptcy in early 2003. In fiscal 2007, UBS settled a claim related to leased premises used by UBS Technologies A/S in Denmark. The final payment in respect of this settlement, amounting to \$1,724, was made in the first quarter of fiscal 2008 (note 11). A second claim for approximately \$450, which is based on an alleged guarantee by UBS related to a subcontracting agreement for the manufacture of electronic products, was dismissed by the Danish courts in October 2008 with costs awarded to UBS. The decision has been appealed by the plaintiff and the case will now be heard in the Danish Supreme Court.

(vii) Other claims:

(a) 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 defence and intends to vigorously defend its position.

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

16. Commitments and contingencies (continued):

(b) 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.

(viii) The Company indemnifies its directors, officers and employees against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

17. Financial instruments:

(a) Currency risk:

The purchase of equipment from suppliers billing in foreign currencies exposes the Company to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to reduce its currency risk. As at August 31, 2008, approximately 1% (2007 - 1%) of the balance of accounts payable and accrued liabilities is denominated in U.S. dollars.

(b) Credit risk:

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

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

17. Financial instruments (continued):

(c) Fair values:

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

18. Related party transactions:

(a) Management services agreement with Look:

On May 19, 2004, UBS and Look entered into an agreement under which UBS is providing Look with a wide range of services designed to maximize Look's full commercial potential. Under the terms of the agreement, Look is required to pay UBS an annual fee of \$2,400. UBS received, in September 2007, in advance, an annual fee of \$2,400. On a 12-month rolling basis, Look has maintained this fee. 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.

(b) Management service agreement with Jolian Investments Ltd.:

Management service fees pursuant to the management service agreement between UBS and Jolian Investments Ltd., which is controlled by the Chairman and CEO of the Company, charged to general and administration expenses amounted to \$994 for the year ended August 31, 2008 (2007 - \$516). As at August 31, 2008, amounts included in accrued liabilities and provisions related to the management service agreement totalled \$680 (2007 - \$257).

UNIQUE BROADBAND SYSTEMS, INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended August 31, 2008 and 2007

18. Related party transactions (continued):

During the year, no stock options were granted to the Chairman and CEO for the services that were performed under the management services agreement (2007 - 2,000,000) and 1,500,000 SAR units were awarded that are subject to specific terms and conditions being fulfilled (2007 – nil).

(c) Consulting agreement with DOL Technologies Inc.:

The consulting agreement between UBS and Mr. Dolgonos was cancelled with effect from May 1, 2008. Effective that date, UBS entered into a new consulting agreement with DOL Technologies Inc., which is controlled by Mr. Dolgonos. Pursuant to the new consulting agreement, Mr. Dolgonos will continue to provide, amongst other things, technology consulting services to UBS. Consulting fees charged to general and administration expenses under both agreements amounted to \$791 for the year ended August 31, 2008 (2007 - \$428). As at August 31, 2008, amounts included in accrued liabilities and provisions related to both consulting agreements totalled \$492 (2007 - \$175).

During the year, 2,000,000 stock options were granted to Mr. Dolgonos and DOL Technologies Inc. to replace expired options (2007 - nil) and 1,500,000 SAR units were awarded that are subject to specific terms and conditions being fulfilled (2007 - 1,500,000).

(d) Rent of Milton premises:

UBS has subleased a portion of Look's premises in Milton for a five-year term at an annual rent of \$75 (2007 - \$74).

19. Subsequent event:

On October 17, 2008, Look executed an Asset Purchase Agreement (the "Agreement") with Bluegenesis.com Corp. ("Bluegenesis") for the sale of its web hosting and domain businesses. The Agreement, which closed on November 1, 2008, requires the following:

- (a) Consideration in the amount of approximately \$3,800 payable to Look, subject to potential post-closing adjustments; and
- (b) A 40-month Shared Hosting Marketing and Licensing Agreement with Bluegenesis, whereby Look and Bluegenesis agree to jointly promote the EasyHosting brand and share in the revenue generated therefrom.

UNIQUE BROADBAND SYSTEMS, INC.

Shareholder Information

Board of Directors

Gerald T. McGoey
Peter Minaki
Louis Mitrovich
Douglas Reeson

Officers

Gerald T. McGoey
Chairman and Chief Executive Office

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.