Consolidated Financial Statements of

UNIQUE BROADBAND SYSTEMS, INC.

For the years ended August 31, 2012 and 2011

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 International Financial Reporting Standards. 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 is responsible for the internal controls that 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 Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton LLP has full and free access to the Audit Committee.

(Signed) - *Grant McCutcheon*

Grant McCutcheon
Chief Executive Officer
November 29, 2012

(Signed) – *C. Fraser Elliott*

C. Fraser Elliott
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Unique Broadband Systems, Inc.

We have audited the accompanying consolidated financial statements of Unique Broadband Systems, Inc., which comprise the consolidated statements of financial position as at August 31, 2012, August 31, 2011, and September 1, 2010, and the consolidated statements of loss and comprehensive loss, changes in shareholders equity, and cash flows for the years ended August 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Unique Broadband Systems, Inc. as at August 31, 2012, August 31, 2011, and September 1, 2010, and the results of its operations and its cash flows for the years ended August 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has a working capital deficiency at August 31, 2012 which, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Canada
November 29, 2012

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

As at

	August 31, 2012	August 31, 2011	September 1, 2010 (note 19)
## Assets			
Current assets			
Cash and cash equivalents (note 4)	**$ 1,635**	$ 945	$ 4,332
Accounts receivable and other receivables (note 5)	**203**	237	3
Prepaid expenses and deposits (note 6)	**675**	948	608
	2,513	2,130	4,943
Restricted cash (note 4)	**50**	50	50
Investment in Look Communications Inc. (note 7)	**7,011**	11,405	12,564
	$ 9,574	$ 13,585	$ 17,557
## Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	**$ 601**	$ 399	$ 30
Accrued liabilities (note 8)	**981**	885	284
Accrued restructuring liabilities (note 9)	**-**	-	696
Accrued restructuring liabilities due to related parties (note 9)	**2,962**	4,003	5,369
Provisions (note 16(a))	**150**	150	150
Deferred revenue (note 13(a))	**-**	1,244	2,400
	4,694	6,681	8,929
Shareholders' equity			
Share capital (note 10)	**58,139**	58,139	58,139
Share option reserve	**3,235**	3,235	3,235
Deficit (note 19)	**(56,494)**	(54,470)	(52,746)
	4,880	6,904	8,628
	$ 9,574	$ 13,585	$ 17,557

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors:

(Signed) – *Robert Ulicki*

Director

(Signed) – *Victor Wells*

Director

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Loss and Comprehensive Loss

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

For the years ended August 31,

	2012	2011
Revenue	**$ 1,244**	$ 1,956
Expenses		
Compensation (note 11)	**636**	731
General and administrative	**2,026**	2,305
Restructuring recovery (note 9)	**(1,041)**	(1,006)
	1,621	2,030
Loss for the year before the undernoted	**(377)**	(74)
Interest income	**8**	24
Equity interest in Look's losses (note 7)	**(1,655)**	(1,159)
Loss for the year from continuing operations	**(2,024)**	(1,209)
Loss for the year from discontinued operations	**-**	(515)
Loss and comprehensive loss for the year	**$ (2,024)**	$ (1,724)
Loss per share from continuing operations		
Basic and diluted	**$ (0.020)**	$ (0.012)
Loss per share from discontinued operations		
Basic and diluted	**(0.000)**	(0.005)
Loss per share		
Basic and diluted	**(0.020)**	(0.017)
Weighted average number of shares outstanding		
Basic and diluted	**102,748**	102,748

The accompanying notes are an integral part of the consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

	Share Capital (note 10) Shares	Amount	Share Option Reserve	Deficit	Total Shareholders' Equity
Balance, September 1, 2010	102,748	$ 58,139	$ 3,235	$(52,746)	$ 8,628
Net loss and comprehensive loss for the year	-	-	-	(1,724)	(1,724)
Balance, August 31, 2011	**102,748**	**$ 58,139**	**$ 3,235**	**$(54,470)**	**$ 6,904**
Net loss and comprehensive loss for the year	-	-	-	(2,024)	(2,024)
Balance, August 31, 2012	**102,748**	**$ 58,139**	**$ 3,235**	**$(56,494)**	**$ 4,880**

The accompanying notes are an integral part of the consolidated financial statements.

UNIQUE BROADBAND SYSTEMS, INC.

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

For the years ended August 31,

	2012	2011
Cash flows from operating activities		
Net loss for the year	**$ (2,024)**	$ (1,724)
Less: Loss from discontinued operations for the year	**-**	515
Items not affecting cash		
Equity interest in Look's losses	**1,655**	1,159
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	**34**	(234)
Prepaid expenses and deposits	**273**	(340)
Accounts payable and accrued liabilities	**298**	820
Accrued restructuring liabilities	**-**	(696)
Accrued restructuring liabilities due to related party	**(1,041)**	(1,366)
Deferred revenue	**(1,244)**	(1,156)
Cash used in continuing operating activities	**(2,049)**	(3,022)
Cash provided by investing activities		
Return of capital from Look	**2,739**	-
Cash used in discontinued operations	**-**	(365)
Increase (decrease) in cash and cash equivalents	**690**	(3,387)
Cash and cash equivalents, beginning of year	**945**	4,332
Cash and cash equivalents, end of year	**$ 1,635**	$ 945

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operation and going concern

Unique Broadband Systems, Inc. is a publicly listed Canadian company that, effective May 25, 2010, has a 39.2% fully diluted equity interest in Look Communications Inc. ("Look") and other financial assets. References to "UBS" and the “Company” include the legal entity Unique Broadband Systems, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless").

In 2003, UBS transitioned from a technology company that designed, developed and manufactured broadband wireless equipment to a holding company when it acquired a controlling interest in Look, through share transactions and 7% secured convertible debentures issued by Look (“Debentures”), and sold its manufacturing business. This holding in Look’s securities gave UBS a controlling 51.8% share of Look.

Following the announcement by Look in April 2010 that it intended to redeem all outstanding Debentures on May 25, 2010, the Debenture previously held by UBS Wireless was among the Debentures redeemed by Look and, as a result, effective May 25, 2010, UBS has a non-controlling 37.6% voting interest and a 39.2% economic interest in Look (note 7).

Going concern

The going concern basis of presentation assumes that UBS 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 UBS’ use of the going concern assumption because, as at August 31, 2012, UBS has a working capital deficiency of $2,181 (August 31, 2011 - $4,551 and September 1, 2010 - $3,986). Furthermore, there is uncertainty regarding the timing and the quantum of cash distributions by Look to its shareholders, including UBS, and the outcomes of certain litigation (note 16). UBS will need to raise cash and/or monetize assets, and/or receive further cash distributions from Look and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt about UBS’ use of the going concern assumption.

Notwithstanding the above, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying values and 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.

These consolidated financial statements were approved for issue by the Board of Directors on November 29, 2012.

2. Summary of significant accounting policies

(a) Statement of compliance

These are the Company's first consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies have been selected to be consistent with IFRS, as issued by the International Accounting Standards Board ("IASB"), as effective August 31, 2012. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They were also applied in the preparation of an opening IFRS statement of financial position as at September 1, 2010, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 19.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis.

These consolidated financial statements include the accounts of Unique Broadband Systems, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. All inter-company transactions are eliminated on consolidation.

<u>Investment in Look</u>

UBS' actual share ownership in Look has fluctuated as Debentures previously issued by Look were converted into multiple and subordinate voting shares and interest obligations in connection with these Debentures were settled in subordinate voting shares. If all Debentures had been converted, UBS would have had the ability to control at least 51% of Look. As UBS had the ability to maintain control by converting these Debentures at any time, UBS consolidated its interest in Look.

However, following the redemption of Debentures by Look, UBS no longer had the ability to convert its Debentures and, as from the effective date of the redemption of Look's Debentures, May 25, 2010, UBS accounts for its 39.2% interest in Look using the equity method that reports UBS' equity participation in Look through the "equity interest in Look's income or loss" in the statement of loss and comprehensive loss.

2. Summary of significant accounting policies (continued)

(b) Basis of presentation (continued)

After the application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in Look is impaired and consequently whether it is necessary to recognize an additional impairment loss on the Company's investment in Look. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in Look and its carrying value and recognizes the amount in the consolidated statement of loss and comprehensive loss.

CCAA proceedings

On July 5, 2011, UBS announced that it and UBS Wireless had commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). The court has made an order staying all proceedings against UBS and its directors until February 1, 2013. Duff & Phelps Canada Limited (the "Monitor") has been appointed as the Monitor of UBS. Further information with respect to the CCAA proceedings can be found on the Monitor's website at www.duffandphelps.com.

UBS has been successful in significantly reducing operating expenses, settling certain claims and obtaining the reversal of approximately $2,925 of awards, granted by UBS' prior board in 2009, and accrued interest. Notwithstanding these achievements, the approximately $10,000 in termination and other payments being pursued in claims against UBS involving Jolian Investments Ltd. ("Jolian"), Mr. McGoey, and Douglas Reeson (the "Plaintiff Group"), have precipitated the commencement of proceedings under the CCAA, which UBS views as the best course of action to preserve its assets.

On July 6, 2012, a settlement agreement was reached between UBS and its directors, and Mr. Alex Dolgonos, 2064818 Ontario Inc., 6138241 Canada Inc. and DOL Technologies Inc. (the "Dolgonos Parties") (note 16(b)(ii)).

The CCAA proceeding has been commenced to, among other things:

(i) facilitate the determination and compromise or arrangement of creditor claims against UBS;
(ii) permit UBS to propose a plan to realize value from its accumulated tax losses, public listing and other assets;
(iii) avert an imminent liquidity crisis being caused by litigation-related expenses that will prevent UBS from continuing to carry on business for the benefit of its stakeholders and defending the proceedings brought by the Plaintiff Group;
(iv) stay all payables owing by UBS; and
(v) provide a process to determine the claims being asserted against UBS by the Plaintiff Group in a more cost effective and expeditious manner.

2. Summary of significant accounting policies (continued)

(b) Basis of presentation (continued)

While under protection from its creditors, UBS' Board of Directors will continue to manage UBS. Should the stay period in the CCAA proceedings and any subsequent extensions thereof not be sufficient in duration or scope to allow UBS to complete its tasks as outlined above under the CCAA, and should UBS lose the protection of the stay of proceedings, creditors may immediately enforce their rights and remedies against UBS and its assets which would in all likelihood lead to liquidation proceedings.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition.

(d) Restricted cash

Restricted cash is held in an interest-bearing certificate with maturity of 90 days or less from the original date of acquisition, currently with an interest rate of 0.3%. Funds are restricted to secure the Company's credit card.

(e) Revenue recognition

Service revenue was comprised of base fees received by UBS from Look pursuant to the management services agreement ("Look MSA") entered into between UBS and Look on May 19, 2004 which expired on May 19, 2012. Service revenues in connection with the Look MSA included base fees payable on a monthly basis from Look to UBS.

Deferred revenue included payments received by UBS from Look in advance of future services pursuant to the Look MSA which expired on May 19, 2012.

(f) Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available for sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial assets at FVTPL

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. Transaction costs are expensed as incurred. The Company has no assets at FVTPL.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivable. Accounts receivable are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the receivables are derecognized or impaired, as well as through the amortization process. The Company classifies cash and cash equivalents, restricted cash, accounts receivable and other receivables as loans and receivables.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously allowed for are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of loss and comprehensive loss.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or disbursements over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income or expense is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables, accrued restructuring liabilities, and accrued liabilities.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in the consolidated statement of loss and comprehensive loss. The Company does not have any liabilities at FVTPL.

Financial instruments carried at fair value

Financial instruments carried at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Summary of significant accounting policies (continued)

(g) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute deferred tax assets and liabilities are measured at future anticipated tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

With certain exceptions, deferred tax assets and liabilities are provided on all qualifying temporary differences at the end of the reporting period between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(h) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

2. Summary of significant accounting policies (continued)

(i) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

(j) Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the fair value of the goods and services on the date when the goods or services are received and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the fair value of the goods or services received from non-employees in exchange for the share-based payment cannot be reliably estimated, the fair value of the shares issued is measured by use of a Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. No share-based payments were made during fiscal 2012 and 2011.

(k) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

2. Summary of significant accounting policies (continued)

(k) Significant accounting judgments and estimates (continued)

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include the Company's forecast of the amount and timing of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred tax assets and the remaining period of loss carry forwards.

Significant management judgment is also required in the determination of whether and the Company's investment in Look has been impaired. Factors included in this determination include Look's market value as well as factors effecting market value.

3. Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

3. Accounting standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidated – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements ("IFRS 13") defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

4. Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

As at August 31, 2012, the Company held $1,635 of cash (August 31, 2011 - $945; September 1, 2010 - $4,332) and no cash equivalents.

(b) Restricted cash

As at August 31, 2012 and 2011, and September 1, 2010, UBS had restricted cash of $50 which was held in interest-bearing certificates at 0.3%.

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

5. Accounts receivable and other receivables

Accounts receivable and other receivables, as at August 31, 2012 and 2011, and September 1, 2010, are set out in the following table:

	August 31, 2012	August 31, 2011	September 1, 2010
GST/HST receivable	**$ 120**	$ 180	$ -
Legal retainer receivable[(1)]	**37**	37	-
Indemnity claims receivable[(2)]	**30**	-	-
Other receivables	**16**	20	3
Total	**$ 203**	$ 237	$ 3

[(1)] During the year ended August 31, 2011, as a result of a settlement agreement executed between the Company and a former director, $37 in legal retainers were reallocated from Prepaid expenses and deposits (note 6) to Accounts receivable.

[(2)] During the year ended August 31, 2012, the Company's insurance providers approved claims totalling $30.

6. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at August 31, 2012 and 2011, and September 1, 2010, are summarized in the following table:

	August 31, 2012	August 31, 2011	September 1, 2010
2010 legal retainers[(1)]	**$ 316**	$ 446	$ 564
Legal retainer[(2)]	**201**	286	-
CCAA retainers[(3)]	**50**	100	-
Other	**108**	116	44
Total	**$ 675**	$ 948	$ 608

[(1)] During June, 2010, the former Board of Directors of UBS received a letter signed by each of UBS' directors, officers and consultants advising UBS that they sought, and were entitled to, indemnification under their Indemnity Agreements and article 7 of the By-Laws of UBS for, among other things, ongoing legal expenses for lawyers that had been retained to advise them on indemnity matters. Subsequently, $570 was placed on retainer by UBS with various legal firms. As at August 31, 2012, UBS has been advised that the amounts on retainer had been drawn down by a total of approximately $198. $19 was returned to UBS as a result of a settlement agreement executed between UBS and the former CFO. $37 is due to be returned to UBS as a result of a settlement agreement executed between UBS and a former director and is reflected in accounts receivable and other receivables (note 5). As a result, it is estimated that approximately $316 remains on retainer as at August 31, 2012.

[(2)] Funds totalling $330 were placed on retainer with a legal firm on February 24, 2011 for, among other things, legal advice with regard to ongoing litigation. As at August 31, 2012, approximately $129 was expensed and $201 remained on retainer.

[(3)] Funds totalling $100 were placed on retainer with legal firms on June 27, 2011 for, among other things, legal advice with regard to UBS' commencement of proceedings under CCAA. As at August 31, 2012, approximately $50 was expensed and $50 remained on retainer.

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

7. Look Investment

(a) Return of capital from Look

On March 13, 2012, Look announced that it paid $6,985 to the holders of its multiple voting shares and subordinate voting shares as a return of capital equivalent to $0.05 for each outstanding multiple voting share and subordinate voting share. UBS received $2,739 of Look's return of capital.

(b) Investment in Look

As at August 31, 2012, UBS Wireless held 24,864 Multiple Voting Shares and 29,921 Subordinate Voting Shares in Look representing a 39.2% economic interest and a 37.6% voting interest in Look. UBS acquired its shareholding in Look through a series of transactions and the receipt of shares in lieu of interest on its Debentures.

UBS' 39.2% interest in Look's equity of $17,890, as at August 31, 2012, amounted to $7,011 (August 31, 2011 - $29,096 and $11,405 respectively; September 1, 2010 - $32,053 and $12,564 respectively) is set out in the table below:

Investment in Look as at September 1, 2010	$ 12,564
Cumulative equity interest in Look's losses for fiscal 2011	(1,159)
Investment in Look as at August 31, 2011	$ 11,405
Return of capital from Look	(2,739)
Cumulative equity interest in Look's losses for fiscal 2012	(1,655)
Investment in Look as at August 31, 2012	$ 7,011

An analysis of UBS' interest in the post acquisition income and losses of Look is as follows:

Cumulative equity interest in Look's income as at September 1, 2010	$ 635
Equity interest in Look's losses for fiscal 2011	(1,159)
Equity interest in Look's losses for fiscal 2012	(1,655)
Cumulative equity interest in Look's losses as at August 31, 2012	$ (2,179)

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

7. Look Investment (continued)

(b) Investment in Look (continued)

Look's consolidated balance sheets as at August 31, 2012 and 2011, and September 1, 2010 are set out below:

	August 31, 2012	August 31, 2011	September 1, 2010
ASSETS			
Total current assets	**$ 18,805**	$ 30,406	$ 31,505
Property and equipment	**-**	-	1,738
	$ 18,805	$ 30,406	$ 33,243
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Total current liabilities	**$ 915**	$ 1,310	$ 1,190
Shareholders' equity			
Share capital	**27,499**	34,484	34,484
Deficit	**(9,609)**	(5,388)	(2,431)
Total shareholders' equity	**17,890**	29,096	32,053
	$ 18,805	$ 30,406	$ 33,243

Look's market capitalization, based on the closing share prices of its multiple and subordinate voting shares as at August 31, 2012 of $0.120 and $0.075 respectively, was $13,455 (August 31, 2011 - $0.130 and $0.130 respectively - $18,161; September 1, 2010 - $0.155 and $0.170 respectively - $22,757).

On June 3, 2011, Look sold its land and building in Milton, Ontario for aggregate consideration of $3,050.

Look continues to pursue opportunities to realize the value of its tax attributes of approximately $166,116.

(c) Change of Look to NEX listed company

On February 3, 2011, Look received notice from the TSX Venture Exchange (the "Exchange") that, in accordance with its Continued Listing Requirements outlined in Exchange Policy 2.5, Look no longer met the tests related to having a significant interest in a business or primary asset used to carry on business. Effective May 9, 2011, the Exchange issued a bulletin reclassifying Look to Tier 2 and placed Look on notice to transfer to NEX, subject to Look making a submission that it met all Tier 2 Continued Listing Requirements.

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

7. Look Investment (continued)

(c) Change of Look to NEX listed company (continued)

In accordance with TSX Venture Policy 2.5, Look did not maintain the requirements for a TSX Venture Tier 2 company. Therefore, effective November 25, 2011, Look's listing was transferred to NEX, Look's Tier classification changed from Tier 2 to NEX, and the Filing and Service Office changed from Montreal to NEX. As of November 25, 2011, Look is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies.

The trading symbol for Look's multiple voting shares changed from LOK to LOK.H. The trading symbol for Look's subordinate voting shares changed from LOK.A to LOK.K. There is no change in Look's name, in its CUSIP number and consolidation of capital. The symbol extensions differentiate NEX symbols from Tier 1 or Tier 2 symbols within the TSX Venture market.

8. Accrued liabilities

The Company's accrued liabilities, as at August 31, 2012 and 2011, and September 1, 2010, are summarized in the following table:

	August 31, 2012	August 31, 2011	September 1, 2010
Legal expenses(1)	**$ 619**	$ 750	$ -
Professional expenses(2)	**129**	114	113
Settlement accruals(3)	**-**	-	150
Board fees(4)	**21**	21	21
Compensation accruals(5)	**200**	-	-
Other	**12**	-	-
Total	**$ 981**	$ 885	$ 284

(1) Legal expenses include an estimate of the costs relating to the claims of certain members of the Plaintiff Group for payments under certain management services agreements and are subject to determination in the CCAA claims process (note 2(b)).
(2) Includes costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.
(3) Includes accrued expenses in connection with the settlement of leased premises (note 16(a(ii))).
(4) Includes accrued board fees payable to certain members of the Plaintiff Group which are subject to determination in the CCAA claims process.
(5) Refer to Note 13(c).

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

9. Restructuring

On May 5, 2009, UBS announced the sale of its wireless spectrum to Inukshuk Wireless Partnership and commenced the restructuring of its operations. In June 2009, UBS recorded contingent awards, approved and allocated by its then directors, as human resource restructuring costs and these, along with other restructuring costs, are set out in the following tables:

Accrued restructuring liabilities	Contract termination, special meeting and legal charges	Human resource restructuring charges	Total restructuring amounts
Balance as at September 1, 2010	$ 664	$ 32	$ 696
Expensed in fiscal 2011	154	-	154
Paid in fiscal 2011	(818)	(32)	(850)
Balance as at August 31, 2011 and 2012	$ -	$ -	$ -

Accrued restructuring liabilities due to related parties[(1)]	Legal charges	Human resource restructuring charges	Total restructuring amounts
Balance as at September 1, 2010	$ -	$ 5,369	$ 5,369
Expensed in fiscal 2011	7	130	137
Paid in fiscal 2011	(7)	(199)	(206)
Reversal of accrual in fiscal 2011	-	(1,297)	(1,297)
Balance as at August 31, 2011	$ -	$ 4,003	$ 4,003
Expensed in fiscal 2012	-	114	114
Reversal of accrual in fiscal 2012	-	(1,155)	(1,155)
Balance as at August 31, 2012	$ -	$ 2,962	$ 2,962

(1) See note 13(d).

During the year ended August 31, 2012, UBS expensed $114 in accrued interest on the awards due to related parties, and recovered $1,155 of restructuring charges.

On July 6, 2012, UBS settled the accrued restructuring award granted to the Dolgonos Parties, which resulted in, among other things, a $1,030 reversal of the restructuring award originally granted in June 2009 and $125 in accrued interest, totalling $1,155, to restructuring charges. The remaining balance of $500 will be settled under the CCAA claims process (note 2(b)).

During the year ended August 31, 2011, UBS expensed $291, paid $1,056 and recovered $1,297 of restructuring charges. Of the $291 expensed in fiscal 2011, $161 related primarily to professional fees and consulting expenses and the balance related mainly to accrued interest on the awards due to related parties.

On January 6, 2011, UBS settled the accrued restructuring award granted to the former Chief Financial Officer ("CFO") by the former Board of Directors and any other amount due under his employment agreement, for $330, which resulted in a reversal of $833 to restructuring charges.

9. Restructuring (continued)

On February 16, 2011, UBS settled the accrued restructuring award granted to a former director of UBS, which resulted in, among other things, a full reversal of the restructuring award originally granted in June 2009 and accrued interest, totalling $464, to restructuring charges.

10. Share capital

(a) Authorized

Unlimited common shares – No par value. Entitled to one vote for each share.

Unlimited Class A non-voting shares – Class A shares can be converted into common shares on a one-for-one basis if such holder provides to the Company satisfactory written evidence. The Class A shares are identical to the common shares in all material respects with the exception of the right to vote at meetings of the Company's shareholders.

(b) Issued and outstanding

As at August 31, 2012 and 2011, and September 1, 2010, UBS had 102,748 common shares and no Class A non-voting shares issued and outstanding, totalling $58,139.

(c) Share appreciation rights plan

As a result of the restructuring process, there were no SAR units outstanding as at August 31, 2010. On November 24, 2010, UBS' Board of Directors cancelled the SAR Plan.

(d) Stock option incentive 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 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 UBS' shares 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.

10. Share capital (continued)

(d) Stock option incentive plan (continued)

The following table reflects activity under the Option Plan:

	Number of options	Weighted average exercise price (restated)
Outstanding as at September 1, 2010	12,616	$ 0.27
Expired during fiscal 2011	(3,030)	0.17
Balance as at August 31, 2011	9,586	0.32
Expired during fiscal 2012	(2,300)	0.47
Balance as at August 31, 2012	7,286	$ 0.27

A summary of the status of the Option Plan, as at August 31, 2012, is as follows:

Exercise price	Options outstanding and exercisable August 31, 2012 (in thousands)	Weighted average remaining contractual life
$ 0.44	86	0.90 years
$ 0.16	100	1.22 years
$ 0.16	100	1.22 years
$ 0.15	1,000	7.00 years
$ 0.32	1,000	1.70 years
$ 0.44	1,000	0.90 years
$ 0.15	2,000	7.00 years
$ 0.34	2,000	1.70 years
	7,286	1.87 years

During the year ended August 31, 2012, no stock options were granted and 2,300 options expired (2011 – nil and 3,030). As at August 31, 2012, there were 7,286 options outstanding (August 31, 2011 – 9,586; September 1, 2010 – 12,616).

11. Compensation

During the year ended August 31, 2012, the Company expensed $636 in compensation (2011 - $731), which included $450 in key management compensation (2011 - $477). Included in the fiscal 2012 compensation expense was a $200 lump sum payable to the CEO (note 13(c)).

12. Segment disclosure

The recorded revenues for the years ended August 31, 2012 and 2011 were pursuant to the Look MSA which expired on May 19, 2012 (note 13(a)) and were drawn down from deferred.

All of the Company's revenue was generated in Canada and all of its assets are located in Canada.

13. Related party transactions

(a) Management Services Agreement with Look

Under the original terms of the Look MSA, Look had been required to pay an annual fee of $2,400 to UBS and, in September 2007, Look advanced a prepaid annual fee of $2,400. On December 3, 2010, Look and UBS agreed that, with effect from January 1, 2011, Look would draw down the prepayment at approximately $145 per month over the remaining term of the Look MSA, which expired on May 19, 2012. The cash flow impact of this amendment was a reduction of approximately $900 in fees from Look to UBS.

The base fee pursuant to the Look MSA earned by UBS during the years ended August 31, 2012 and 2011 amounted to $1,244 and $1,956 respectively and is reported as revenue (note 12).

(b) Rent of Milton premises

During the years ended August 31, 2012 and 2011, UBS subleased a portion of Look's premises in Milton for $12 and $61 respectively. The lease was on a month-to-month basis and terminated on September 30, 2012.

(c) CEO termination clause

On January 3, 2012, 2064818 Ontario Inc., which is a corporation controlled by Alex Dolgonos, acquired additional shares with the effect of increasing the indirect holdings of UBS over which Mr. Dolgonos exercises control and direction to greater than 20%, which triggered a “deemed” termination clause in the current CEO’s employment agreement, triggering a lump sum payment of $200 in lieu of notice of termination and has been recorded in accrued liabilities.

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

13. Related party transactions (continued)

(d) Related party accrued restructuring liabilities

UBS recorded related party transactions as follows:

	Accrued Restructuring Liabilities						
	Balance as at September 1, 2010	Interest accrued fiscal 2011[3]	Awards & interest reversed fiscal 2011[4]	Awards paid fiscal 2011[4]	Interest accrued fiscal 2012[3]	Awards & interest reversed fiscal 2012[2]	Balance as at August 31, 2012[5]
Jolian Investments Ltd. /McGoey[1]	$ 1,843	$ 56	$ -	$ -	$ 58	$ -	$ 1,957[6]
DOL Technologies Inc. /Dolgonos[2] – settled	1,566	48	-	-	41	(1,155)	500[2]
Former UBS director – Douglas Reeson	476	14	-	-	15	-	505[6]
Former UBS director and CFO – settled	1,484	12	(1,297)	(199)	-	-	-
Total	$ 5,369	$ 130	$ (1,297)	$ (199)	$ 114	$ (1,155)	$ 2,962

(1) Jolian is a company controlled by Mr. McGoey, the former Chairman of the Board of Directors and former CEO of UBS.
On July 5, 2010, the former Board of Directors, including Mr. McGoey, was removed by shareholders at a special meeting, which resulted in Jolian alleging a Company Default pursuant to the Jolian Management Services Agreement with UBS ("Jolian MSA") and a subsequent claim for, among other things, payment for termination of services and the outstanding accrued restructuring liability to Jolian (note 16(b)(i)).
During the year ended August 31, 2012, 1,150 options granted to Mr. McGoey or Jolian expired and during the year ended August 31, 2011, 1,500 options expired.

(2) DOL is a company controlled by Mr. Dolgonos, the former Chief Technology Consultant of UBS.
On July 6, 2012, UBS reached a settlement agreement with the Dolgonos Parties, which resulted in, among other things, a $1,030 reversal of the restructuring award and $125 in accrued interest, totalling $1,155, to restructuring charges. The remaining balance of $500 will be settled under the CCAA claims process.

(3) The interest on accrued restructuring liabilities due to related parties is charged to restructuring charges.

(4) On January 6, 2011, UBS settled the accrued restructuring award granted to the former CFO by the former Board of Directors and any other amount due under his employment agreement, for $330, which resulted in a reversal of $833 to restructuring charges in the second quarter of fiscal 2011. On February 16, 2011, UBS settled with a former director of UBS, which resulted in, among other things, a full reversal of his restructuring award, originally granted in June 2009 and accrued interest, totalling $464, to restructuring charges.

(5) The accrued restructuring liabilities due to related parties as at August 31, 2012 are payable upon, among other things, adequate cash resources being received by UBS. Payment of these amounts will be determined in the CCAA claims process.

(6) These amounts were approved in 2009 by the then Directors, and are currently the subject of dispute in the claims and counterclaims filed between UBS and the Plaintiff Group (note 16(b)).

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

14. Income taxes

The effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	2012	2011
Loss before income taxes	**$ (2,024)**	$ (1,723)
Combined basic federal and provincial tax rates	**28.96%**	30.67%
Computed expected tax recovery	**(586)**	(528)
Increase resulting from:		
Impact due to change in future tax rates	**(486)**	26
Current year loss and other differences not-recognized	**824**	1,008
Non-deductible items	**248**	(506)
	$ -	$ -

The statutory income tax rate was 28.96% for 2012 compared to 30.67% for 2011. The decrease in the statutory rate was a result of reductions in the federal and provincial Canadian income tax rates.

The amount of deductible temporary differences and unused tax losses for which no deferred income tax assets have been recognized are as follows:

	2012	2011
Non-capital loss carryforwards	**$ 22,202**	$ 19,012
SRED pool carryforwards	**11,545**	11,545
Capital loss carryforwards	**22,555**	22,555
Non-tax deductible reserves	**3,408**	5,446
	$ 59,710	$ 58,558

Non-capital loss carry forwards expire between 2014 and 2032 while SRED pool and capital loss carry forwards do not expire.

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, the character of the deferred income tax assets and available tax planning strategies in making this assessment.

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

14. Income taxes (continued)

UBS has 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 taxation years ending May 31 as follows:

2014	$ 8,527
2015	1,001
2027	2,215
2028	423
2029	1,626
2030	1,656
2031	5,134
2032	1,620
	$ 22,202

To the extent that there are differences between the carrying and tax values of the investment in Look, non-capital losses are available to reduce taxable income that would result from a sale of this investment.

15. Discontinued operations

GPV Elbau Electronics A/S vs UBS

Certain claims were filed against UBS in connection with UBS Technologies A/S (formerly ProTeleVision Technologies A/S), its Danish subsidiary that was petitioned into bankruptcy in early 2003. On June 17, 2011, judgment was given in favour of UBS and GPV Elbau Electronics A/S has paid legal costs to UBS in the amount of DKK 100 (approximately $19).

16. Provisions and contingencies

(a) Provisions

(i) Third party claim from an investment dealer

On June 8, 2005, an investment dealer filed a third party claim against UBS for indemnity for, amongst other things, costs of defending certain claims against it, resulting from litigation against that investment dealer by two shareholders of UBS. At a pre-trial conference on October 1, 2010, the parties to the main action and the third party claim settled all the claims with a contribution from UBS of $150 which was provided for at September 1, 2010 and paid during the first quarter of fiscal 2011.

16. Provisions and contingencies (continued)

(a) Provisions (continued)

(ii) Leased premises

On May 24, 2011, UBS settled the action that was brought against UBS in respect of certain repairs to premises under a lease entered into by UBS in 1999.

Under the terms of the settlement, UBS agreed to pay the plaintiff damages totalling $600 in two installments. $450 was paid on May 24, 2011 and $150 was payable on January 15, 2012, and is subject to the claims process to be determined under CCAA. Under a counterclaim filed, UBS was awarded $85 on May 24, 2011 and received the funds on May 30, 2011. The net cash flow impact in fiscal 2011 totaled $365. Both the original action and the third party claim were dismissed without costs.

(b) Contingencies

(i) Jolian and Reeson claims

On July 12, 2010, Jolian served a statement of claim on UBS seeking approximately $8,610 plus applicable taxes and interest in respect of the Jolian management services agreement with UBS and certain contingent payments approved by the previous directors in 2009 (the “Jolian Claims”). Subsequently, a former director, Douglas Reeson, served a statement of claim on UBS seeking approximately $465 plus interest in respect of the contingent award approved and allocated to him by the previous directors of UBS during fiscal 2009 (the “Reeson Claim”).

The Jolian and Reeson claims are disputed in the CCAA claims process and will be determined in those proceedings (note 16(b)(iii)).

(ii) Dolgonos Parties claims

On July 12, 2010, DOL served a statement of claim on UBS seeking approximately $7,545 plus interest in respect of the DOL management services agreement with UBS and certain contingent payments approved by the previous directors in 2009.

On December 23, 2010, the Dolgonos Parties served a statement of Claim on UBS and its then Directors (the “206 Claims”). These claims sought various relief including the removal of the directors of UBS from its Board of Directors, the setting aside of the amendment to the Look MSA, or in lieu thereof, damages in the amount of $900, and restrictions on dilutive financing.

16. Provisions and contingencies (continued)

(b) Contingencies (continued)

(ii) Dolgonos Parties claims (continued)

On July 6, 2012, the DOL Claims and 206 Claims were settled. Pursuant to the terms of the settlement**,** approximately $8,000 in claims against UBS made by the Dolgonos Parties were settled for a claim of $500, the payment of which will be determined under the CCAA proceedings. All other claims and actions between the Dolgonos Parties, UBS and the UBS directors were dismissed, withdrawn and fully released without costs, with the exception of advances to counsel of $100 which were expensed in the fourth quarter of fiscal 2012.

(iii) CCAA

On July 5, 2011, the Ontario Superior Court made an Order under the CCAA and a subsequent Order on August 4, 2011 which, among other things, provided for a comprehensive stay of proceedings against UBS and that all disputed claims are to be determined in the CCAA proceedings. Subsequently the Monitor received proofs of claims from Jolian for $10,112, from former director Douglas Reeson for $585, and from DOL, which was reduced to $500 on July 6, 2012, pursuant to the settlement agreement between UBS and DOL.

Reference is made to the website of the Court Appointed Monitor supervising the CCAA proceedings www.duffandphelps.com (see “restructuring cases”).

(iv) In the normal course of its operations, the Company may be subject to other litigation and claims.

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

17. Management of capital

The Company determines capital to include shareholders’ equity. The Company’s overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts.

The Company currently does not use other sources of financing that require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

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

18. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee, under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the end of the reporting period under its financial instruments is summarized as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
Accounts and other receivables			
Currently due	**$ 33**	$ 4	$ 3
Past due by 90 days or less not impaired	**19**	17	-
Past due by greater than 90 days not impaired	**151**	216	-
	$ 203	$ 237	$ 3

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 17, in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable, accrued liabilities, accrued restructuring liabilities, accrued restructuring liabilities due to related parties and provisions, the contractual maturities of which are not determinable because it depends on the outcome of the CCAA claims process.

Interest rate risk

The Company had no significant exposure, as at August 31, 2012 and 2011, and September 1, 2010, to interest rate risk through its financial instruments.

19. IFRS transition

The Company's consolidated financial statements for the year ended August 31, 2012 are the Company's first financial statements prepared in accordance with IFRS as issued by the IASB. The policies set out in note 2, "Summary of significant accounting policies", have been applied to all periods presented.

The Company has followed the recommendations in IFRS-1 First-time adoption of IFRS, in preparing its transitional statements.

(a) IFRS exemptions and choices

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has not adopted any optional exemptions.

In preparing its opening IFRS statement of financial position, the Company has adjusted certain amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the additional notes that accompany the tables.

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

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

19. IFRS transition (continued)

(b) Reconciliation from Canadian GAAP to IFRS

The adoption of IFRS has had no material impact on the cash flows of the Company and, as such, no reconciliation of prior period cash flow statements has been presented.

(i) The reconciliation between Canadian GAAP and IFRS consolidated statement of financial position as at September 1, 2010 (date of transition to IFRS) is provided below:

September 1, 2010	Canadian GAAP	Effect of Transition	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 4,332	$ -	$ 4,332
Accounts receivable and other receivables	3	-	3
Prepaid expenses and deposits	608	-	608
	4,943	-	4,943
Restricted cash	50	-	50
Investment in Look Communications Inc.	12,564	-	12,564
	$ 17,557	$ -	$ 17,557
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	$ 30	$ -	$ 30
Accrued restructuring liabilities	696	-	696
Accrued restructuring liabilities due to related party	5,369	-	5,369
Accrued liabilities[1]	434	(150)	284
Provisions[1]	-	150	150
Deferred revenue	2,400	-	2,400
	8,929	-	8,929
Shareholders' equity			
Share capital	58,139	-	58,139
Share option reserve[2]	-	3,235	3,235
Contributed surplus[2]	3,235	(3,235)	-
Deficit	(52,746)	-	(52,746)
	8,628	-	8,628
	$ 17,557	$ -	$ 17,557

[1] IFRS transition requires provisions to be reallocated from accrued liabilities. The $150 provision at September 1, 2010 pertained to the third party settlement (note 16(a)(i)).

[2] On transition to IFRS, the Company transferred the amount of contributed surplus to share option reserve mainly because there were options outstanding on the transition date.

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

19. IFRS transition (continued)

(b) Reconciliation from Canadian GAAP to IFRS (continued)

(ii) The reconciliation between Canadian GAAP and IFRS consolidated statement of financial position as at August 31, 2011 is provided below:

August 31, 2011	Canadian GAAP	Effect of Transition	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 945	$ -	$ 945
Accounts receivable and other receivables	237	-	237
Prepaid expenses and deposits	948	-	948
	2,130	-	2,130
Restricted cash	50	-	50
Investment in Look Communications Inc.	11,405	-	11,405
	$ 13,585	$ -	$ 13,585
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	$ 399	$ -	$ 399
Accrued restructuring liabilities due to related party	4,003	-	4,003
Accrued liabilities(1)	1,035	(150)	885
Provisions(1)	-	150	150
Deferred revenue	1,244	-	1,244
	6,681	-	6,681
Shareholders' equity			
Share capital	58,139	-	58,139
Share option reserve(2)	-	3,235	3,235
Contributed surplus(2)	3,235	(3,235)	-
Deficit	(54,470)	-	(54,470)
	6,904	-	6,904
	$ 13,585	$ -	$ 13,585

(1) IFRS transition requires provisions to be reallocated from accrued liabilities. The $150 provision at August 31, 2011 pertained to the settlement of leased premises (note 16(a)(ii)).

(2) On transition to IFRS, the Company transferred the amount of contributed surplus to share option reserve mainly because there were options outstanding on the transition date.

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

19. IFRS transition (continued)

(b) Reconciliation from Canadian GAAP to IFRS (continued)

(iii) The reconciliation between Canadian GAAP and IFRS consolidated statement of loss and comprehensive loss for the year ended August 31, 2011 is provided below:

August 31, 2011	Canadian GAAP	Effect of Transition	IFRS
Revenue	$ 1,956	$ -	$ 1,956
Expenses			
Compensation[1]	-	731	731
General and administrative	3,036	(731)	2,305
Restructuring charges (recovery)	(1,006)	-	(1,006)
	2,030	-	2,030
Loss before the undernoted	(74)	-	(74)
Interest income	24	-	24
Equity interest in Look's losses	(1,159)	-	(1,159)
Loss for the year from continuing operations	(1,209)	-	(1,209)
Loss for the year from discontinued operations	(515)	-	(515)
Loss and comprehensive loss for the year	$ (1,724)	$ -	$ (1,724)

[1] On conversion to IFRS, compensation was reclassified from general and administrative expenses to compensation. During the year ended August 31, 2011, the Company expensed $731 in compensation, which included $477 in key management expense.

20. Subsequent events

Commencement of sales process for Look shares

On November 9, 2012, the Ontario Superior Court of Justice made an order approving a process by which UBS will seek offers for the purchase of all or part of their 24,846 multiple voting shares and 29,921 subordinate voting shares of Look. The sales process will be run by Duff & Phelps Canada Restructuring Inc. in its capacity as Monitor of UBS under the Companies Creditors' Arrangement Act.

A special committee, comprising Victor Wells and Kenneth Taylor who are directors of UBS, will review and consider all offers, and will determine the successful offer, if any. UBS is under no obligation to accept the highest and best offer, or any offer, acting reasonably. Any transaction for the sale of the Look shares will be subject to approval by the court. All offers must be structured on a basis that is exempt from the prospectus requirements of applicable securities laws. Depending on, among other things, the price being offered and the percentage of Look shares being purchased, the successful bidder, if any, may be required to make an offer to purchase the shares of all other shareholders of Look under applicable securities laws.