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AMARU INC
Form 10QSB/A
February 09, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-QSB/A-2

- (X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2004
- () Transition report pursuant of Section 13 or 15(d) of the Securities Exchange Act of 1939 for the transition period ____ to____

COMMISSION FILE NUMBER 000-32695

AMARU, INC.
(Exact name of registrant as specified in its charter)

Nevada

88-0490089

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

112 Middle Road, #08-01 Midland House, Singapore 188970 (011) (65) 6332 9287

(Address of Principal Executive Offices, including Registrant's zip code
and telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No []

The number of shares of the registrant's common stock as of May 20, 2004:
20,000,000 shares.

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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AMARU, INC. & SUBSIDIARY BALANCE SHEETS AS OF MARCH 31, 2004 AND DECEMBER 31, 2003

	MARCH 31, 2004 (CONSOLIDATED) (UNAUDITED)	DECEMBER 31, 2003
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 88,159	\$ 60,307
Accounts receivable	12,108	14,097
Other receivable	--	20,554
Prepaid expenses	17,390	33,758
Deposits	1,699	--
	-----	-----
Total current assets	119,356	128,716
Non current assets		
Property and equipment	16,576	18,866
Product development, net	270,485	297,402
Investment at equity	--	1,403,493
License	2,420,227	--
Other	2,708	2,708
	-----	-----
Total non current assets	2,709,996	1,722,469
	-----	-----
Total assets	\$2,829,352	\$1,851,185
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 62,623	\$ 64,738

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Accounts payable- related parties	475,486	423,444
Line of credit	4,891	58,188
Term loan current portion	--	5,007
Income tax payable	178,914	36,994
Advances from parent	58,276	55,518
	-----	-----
Total current liabilities	780,190	643,889
Shareholders' equity		
Series A convertible preferred stock (par value \$0.001)		
5,000,000 shares authorized: 143,000 and 0 shares		
issued and outstanding at March 31, 2004 and		
December 31, 2003, respectively	143	--
Common stock (par value \$0.001) 20,000,000 shares		
authorized; 20,000,000 shares issued and outstanding		
at March 31, 2004 and 18,136,364 at December 31, 2003	20,000	18,136
Paid in capital	1,254,581	867,292
Subscribed common stock, 0 and 337,513 shares at		
March 31, 2004 and December 31, 2003, respectively.	--	128,255
Retained earnings	731,722	160,696
Comprehensive gain on currency translation	42,716	32,917
	-----	-----
Total shareholders' equity	2,049,162	1,207,296
	-----	-----
Total liabilities and shareholders' equity	\$2,829,352	\$1,851,185
	=====	=====

The accompanying notes to financial statements
are an integral part of this statement

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AMARU, INC. & SUBSIDIARY STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2004 (CONSOLIDATED)	FOR THE THREE MONTHS ENDED MARCH 31, 2003
-----	-----

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Revenue:		
Licensing and advertising	\$ 1,005,917	\$ 1,621
E-commerce	11,979	--
Other income	18,625	--
	-----	-----
Total revenue	1,036,521	1,621
Cost of services include \$68,404 of services purchased from related party at March 31, 2004)	116,034	6,797
	-----	-----
Gross profit (loss)	920,487	(5,176)
Distribution costs	8,973	3,255
Administrative expenses	180,862	51,663
	-----	-----
Total expenses	189,835	54,918
	-----	-----
Income (loss) from operations	730,652	(60,094)
Finance expenses	(454)	(925)
Income taxes	159,172	--
	-----	-----
Net income (loss)	\$ 571,026	\$ (61,019)
	=====	=====
Earnings (loss) per share - basic and diluted	\$ 0.03	\$ (0.00)
	=====	=====
Weighted average number of common shares outstanding - basic and diluted	19,088,384	17,727,273
	=====	=====

The accompanying notes to financial statements
are an integral part of this statement

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AMARU, INC. & SUBSIDIARY STATEMENT OF STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock	Common Stock	
-----	-----	-----
		Additional

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	Number of Shares	Par Value (\$0.001)	Number of shares	Par value (\$0.001)	Paid-in capital	Subscribed stock
Balance December 31, 2002	--	\$ --	17,727,273	\$17,727	\$753,701	\$82,84
Common stock issued for cash	--	--	409,091	409	113,591	--
Common stock subscribed at various dates	--	--	--	--	--	45,41
Net income	--	--	--	--	--	--
Comprehensive gain on currency translation	--	--	--	--	--	--
Comprehensive income						
Balance December 31, 2003	--	--	18,136,364	18,136	867,292	128,25
Shares issued for cash Feb. 10, 2004	--	--	1,363,636	1,364	414,636	(128,25
Reverse acquisition	143,000	143	500,000	500	(27,347)	
Net income	--	--	--	--	--	--
Comprehensive gain on currency translation	--	--	--	--	--	--
Comprehensive income						
Balance March 31, 2004 (consolidated) (Unaudited)	143,000	\$ 143	20,000,000	\$20,000	\$1,254,581	\$ --

The accompanying notes to financial statements
are an integral part of this statement

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AMARU, INC. & SUBSIDIARY STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (UNAUDITED)

FOR THE THREE
MONTHS ENDED
MARCH 31, 2004
(CONSOLIDATED)

FOR THE THREE
MONTHS ENDED
MARCH 31, 2003

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CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 571,026	\$ (61,019)
Adjustments to reconcile net income (loss) to cash (used) or provided by operations		
Amortization	29,205	30,643
Depreciation	3,021	8,374
Acquisition of license in exchange for accounts receivable	(1,016,734)	--
Changes in operating assets and liabilities		
Accounts receivable	1,989	4,549
Prepaid and other	35,223	378
Accounts payable	50,041	(1,107)
Income tax payable	141,920	(111)
	-----	-----
Net cash used in operating activities	(184,309)	(18,293)
CASH USED IN INVESTING ACTIVITIES		
Software development cost	(2,288)	--
Acquisition of equipment	(731)	--
	-----	-----
Net cash used in investing activities	(3,019)	--
CASH PROVIDED FROM FINANCING ACTIVITIES		
Payable to related party	2,644	(2,130)
Payments on line of credit and loans	(58,304)	(10,373)
Recapitalization of M2B World Pte. Ltd.	(26,704)	--
Proceeds from sale of stock	287,745	--
Proceeds from stock subscriptions	--	38,368
	-----	-----
Net cash provided from financing activities	205,381	25,865
Effect of exchange rate changes on cash	9,799	(8,443)
	-----	-----
Cash flow from all activities	27,852	(871)
Cash balance at beginning of period	60,307	57,700
	-----	-----
Cash balance at end of year	\$ 88,159	\$ 56,829
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 454	\$ 925
	=====	=====
Income taxes	\$ 17,535	\$ --
	=====	=====

The accompanying notes to financial statements
are an integral part of this statement

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AMARU, INC. & SUBSIDIARY NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (UNAUDITED)

1. BASIS OF PRESENTATION AND REORGANIZATION -----

The financial information included herein is unaudited. However, such information reflects all adjustments (consisting solely of normal occurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The results of operations for the three months ended March 31, 2004, are not necessarily indicative of the results to be expected for the full year.

The accompanying financial statements do not include footnotes and certain financial presentations normally required under generally accepted accounting principles; and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003, and Form 8Ka, filed on May 24, 2004.

REORGANIZATION -----

As of February 25, 2004, the Company made an agreement which provides for the reorganization of M2B World Pte. Ltd., a Singapore corporation with and into Amaru, Inc. (Amaru), a Nevada corporation, with M2B World Pte. Ltd. (M2B), becoming a wholly-owned subsidiary of Amaru. The agreement is for the exchange of 100% of the outstanding Common Stock of M2B World Pte. Ltd. for 19,500,000 common shares and 143,000 Series A convertible preferred shares of Amaru, which are each convertible into 38.461538 shares of Amaru common stock.

The exchange was accounted for as a reverse acquisition. Accordingly, for financial statement purposes, M2B World Pte. Ltd. was considered the accounting acquiror and the related business combination was considered a recapitalization of M2B World Pte. Ltd. rather than an acquisition by the Company. The historical financial statements prior to the agreement will be those of M2B World Pte. Ltd. and the name of the consolidated Company going forward will be Amaru, Inc. and Subsidiary.

On this basis, the historical financial statements prior to February 28, 2004 have been restated to be those of the accounting acquirer M2B World Pte. Ltd. The historical stockholders' equity prior to the reverse acquisition has been retroactively restated (a recapitalization) for the equivalent number of shares received in the acquisition after giving effect to any difference in par value of the issuer's and acquirer's stock.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -----

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USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management has not made any subjective or complex judgments the application of which would result in any material differences in reported results.

CONCENTRATION OF CREDIT RISK

The credit risk is primarily attributable to the Company's trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Licensing and advertising revenues were concentrated with one customer totaling 100% of those related revenues for March 31, 2004.

The Company's operations are conducted over the world wide web and some purchases are made from locations outside of Singapore. However all transactions are recorded in Singapore

	For the three months ended March 31	
	2004	2003
	----	----
Sales outside of Singapore	-	-
Services purchased outside		
of Singapore (1)	68,404	-

At March 31, 2004 and 2003, all assets of the Company were located in Singapore.

(1) Includes \$68,404 purchased from a related party in Malaysia in the quarter ended March 31, 2004 (see Note 9)

CASH AND CASH EQUIVALENTS

Cash on hand, in banks and short-term deposits are held to maturity and are carried at cost.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

REVENUES

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Subscription and related services revenues are recognized over the period that services are provided. Advertising and sponsorship revenues are recognized as the services are performed or when the goods are delivered. Content syndication revenue is recognized as the content is delivered. E-commerce commissions are recognized as received. Broad-band consulting services and on-line turnkey solutions are recognized as earned.

To date the Company has only had revenues from licensing and advertising, E-commerce and subscriptions and related services.

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COSTS OF SERVICES

The cost of services pertaining to 1) advertising and sponsorship revenue and 2) subscription and related services are cost of bandwidth charges, channel design and alteration, copyright licensing, and hardware hosting and maintenance costs. The cost of services pertaining to E-commerce revenue are channel design and alteration, and hardware hosting and maintenance costs. All these costs are accounted for in the period incurred.

LICENSING RIGHTS

Licensing rights refers to the rights to use the content. These rights are purchased for a specific period as determined in the contract. The costs of these rights are recognized in the accounts over the life of the contract on a straight line basis. These contents are then streamed into the broad-band sites and the revenue earned from advertising, sponsorship and subscription are then recognized according to our policy on revenue.

TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30 to 90 day terms, are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts (if any). An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The Company has reviewed trade and other receivables and determined that no allowance for doubtful accounts is required.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Expenditures for major

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improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset, are expensed when incurred.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which is three years.

PRODUCT DEVELOPMENT

The Company capitalized the development and building cost related to the broad-band sites and infrastructure for the streaming system, most of which was developed in 2002. the Company projects that these development costs will be useful for up to five years before additional significant development needs to be done

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews the carrying values of its long-lived and intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No impairment losses were recorded in the three months ended March 31, 2004 and the year 2003.

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INVESTMENTS

Investments in unconsolidated subsidiaries in which the Company has a 20% to 50% interest or otherwise exercises significant influence are carried at cost, adjusted for the Company's proportionate share of their undistributed earnings or losses.

On December 27, 2002, the Company acquired a 9.76% interest in a joint venture entity, FSBM M2B Sdn Bhd, which it accounts for at cost. The investment of \$2,708 is included in other assets at March 31,2004 and December 31,2003.

On January 30, 2004, the Company acquired 100% of the outstanding common stock of CRE8 IP&P in exchange for \$2,420,227 of accounts receivable from CRE8 International Limited. CRE8 IP&P was incorporated in the British Virgin Islands to hold a license to operate an E-commerce platform. The company anticipates that the acquisition of CRE8 IP&P will allow M2B World to provide on-line trading opportunities for consumers and companies to barter and/or purchase goods.

The Company accounted for its acquisition of CRE8 IP&P under the purchase method of accounting and in accordance with SFAS No. 141 "Business Combinations", which requires the acquirer to identify all of the assets acquired and liabilities assumed. As of January 30, 2004,

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CRE8 IP&P had no assets or liabilities on its books and has had no operations since its inception on July 25, 2002. However, the Company did identify a license owned by CRE8 IP&P that meets the separable and contractual recognition criteria of SFAS 141 for acquired intangible assets. The Company has allocated the entire cost of the acquisition of \$2,420,227 to the license based on its fair value as determined by a third party valuation.

CRE8 IP&P has recorded this license in its financial statements at \$2,420,227 in accordance with SAB No. 54, "Push Down Basis Of Accounting Required In Certain Limited Circumstances". The license has an indefinite life and is not subject to amortization.

ADVANCES FROM PARENT

Advances from parent are unsecured, non-interest bearing and carry no fixed terms of repayment.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are measured and recorded in the functional currency Singapore dollars using the exchange rate in effect at the date of the transaction. The reporting currency is U.S. dollars. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date and the income statement accounts using the average exchange rates throughout the period. Translation gains and losses are recorded in stockholders' equity as other comprehensive income and realized gains and losses are reflected in operations.

INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128 "Earnings Per Share" which requires the Company to present basic and diluted earnings per share, for all periods presented. The computation of earnings per common share (basic and diluted) is based on the weighted average number of shares actually outstanding during the period. The Company has no common stock equivalents, which would dilute earnings per share.

FINANCIAL INSTRUMENTS

The carrying amounts for the Company's cash, other current assets, accounts payable, accrued expenses, notes payable, and other

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liabilities approximate their fair value.

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3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2004 and December 31, 2003.

	December 31, 2003	March 31, 2004
	-----	-----
Office equipment	\$ 58,857	\$ 59,422
Furniture, fixture and fittings	396	562
	-----	-----
	59,253	59,984
Accumulated depreciation	(40,387)	(43,408)
	-----	-----
	\$ 18,866	\$ 16,576
	=====	=====

Depreciation expense was \$24,689 the year ended December 31, 2003 and \$3,021 for the three months ended March 31, 2004.

4. PRODUCT DEVELOPMENT

Product development consists of the following at December 31, 2003 and March 31, 2004:

	December 31, 2003	March 31, 2004
	-----	-----
Development expenditures	\$ 595,413	\$ 597,701
Accumulated amortization	(298,011)	(327,216)
	-----	-----
	\$ 297,402	\$ 270,485
	=====	=====

Amortization expense was \$115,914 for the year ended December 31, 2003 and \$29,205 for the three months ended March 31, 2004.

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5. LINE OF CREDIT

The Company has a \$58,188 line of credit, repayable on demand, used to fund the Group's short-term working capital requirements. The line of credit bears interest at prime lending rate plus 1% per annum (6% at December 31, 2003). This loan is secured by a certificate of deposit of \$58,188 and a personal guarantee of a director. Interest is payable monthly. The outstanding balance was \$58,188 at December 31, 2003 and \$4,891 at March 31, 2004.

6. COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its office space under a one year operating lease which expires in February 2005 with a monthly payment of \$1,856. Rent expense totaled \$10,344 for the year ended December 31, 2003 and \$1,893 for the three months ended March 31, 2004

Future minimum lease payments due are as follows for the years ended December 31, 2004 and 2005

2004	\$	16,704
2005		3,712

	\$	20,416
		=====

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7. CAPITAL STOCK

COMMON STOCK

On February 10, 2004 the Company issued 1,363,636 shares of \$0.31 par value Series D common Stock for a total cash capital contribution of \$416,000.

8. INCOME TAXES

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The Company files separate tax returns for Singapore and the United States of America. Reconciliation of the differences between the statutory tax and the effective income tax are as follows

	MARCH 31, 2003	MARCH 31, 2004
	-----	-----
U.S. Federal statutory tax	-%	-%
U.S. State taxes, net of federal tax	-%	-%
Foreign statutory tax rate	22.0%	22.0%
Non-deductible items	-%	(0.22%)
Tax exemptions	-%	-%
	-----	-----
Valuation allowance	22.0%	-%
Effective income tax rate	-%	21.78%
	=====	=====

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The components of income tax expense consist of the following for the three months ended March 31, 2003 and 2004

	March 31, 2003	March 31, 2004
	-----	-----
Current:		
Federal	\$ --	\$ --
State	--	--
Foreign	--	159,172
	-----	-----
	\$ --	\$ 159,172
	=====	=====

The Company operated primarily in Singapore and incurred no United States federal or state income taxes as of March 31, 2003 and 2004. The Company had no significant deferred tax assets or liabilities as of March 31, 2004 and 2003.

9. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2004 and 2003, the Company purchased services from a related party in the amount of \$68,404 and \$0, respectively. The related party is FSBM M2B Sdn Bhd (FSBM) which is registered in Malaysia. FSBM is a joint venture between M2B World and FSBM Holdings Berhad (formerly known as Fujitsu System Business Malaysia Berhad). FSBM serves as a production base for M2B World, having digital post-production suites for content production and reporting. M2B World owns a 9.76% equity stake in FSBM

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On December 29 2004, the Company sold the 9.76% equity stake in FSBM M2B Sdn Bhd to a third party for \$600,000 at a gain of \$597,292.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY THE COMPANY TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. PROSPECTIVE SHAREHOLDERS SHOULD UNDERSTAND THAT SEVERAL FACTORS GOVERN WHETHER ANY FORWARD - LOOKING STATEMENT CONTAINED HEREIN WILL BE OR CAN BE ACHIEVED. ANY ONE OF THOSE FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED HEREIN. THESE FORWARD - LOOKING STATEMENTS INCLUDE PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, INCLUDING PLANS AND OBJECTIVES RELATING TO THE PRODUCTS AND THE FUTURE ECONOMIC PERFORMANCE OF THE COMPANY. ASSUMPTIONS RELATING TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND THE TIME AND MONEY REQUIRED TO SUCCESSFULLY COMPLETE DEVELOPMENT PROJECTS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THOSE ASSUMPTIONS COULD PROVE INACCURATE AND, THEREFORE, THERE CAN BE NO ASSURANCE THAT THE RESULTS CONTEMPLATED IN ANY OF THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN WILL BE REALIZED. BASED ON ACTUAL EXPERIENCE AND BUSINESS DEVELOPMENT, THE COMPANY MAY ALTER ITS MARKETING, CAPITAL EXPENDITURE PLANS OR OTHER BUDGETS, WHICH MAY IN TURN AFFECT THE COMPANY'S RESULTS OF OPERATIONS. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD - LOOKING STATEMENTS INCLUDED THEREIN, THE INCLUSION OF ANY SUCH STATEMENT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

General

As of February 25, 2004 (the "Closing Date"), Amaru, Inc. (the "Company") acquired M2B World Pte Ltd., a Singapore corporation ("M2B World") in exchange for 19,500,000 newly issued "restricted" shares of common voting stock of the Company and 143,000 "restricted" Series A Convertible Preferred Stock shares to the M2B World shareholders on a pro rata basis for the purpose of effecting a tax-free reorganization pursuant to sections 351, 354 and 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended ("IRC") pursuant to the Agreement and Plan of Reorganization (the "Reorganization Agreement") by and between the Company, M2B World and M2B World shareholders. As a condition of the closing of the share exchange transaction, certain shareholders of the Company cancelled a total of 1,457,500 shares of common stock. Each one (1) ordinary share of M2B World has been exchanged for 1.3636363 shares of the Company's Common Stock and 100 shares of the Company's Series A Convertible Preferred Stock. Each share of newly issued Company's Series A Convertible Preferred Stock can be converted to

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38.461538 shares of the Company's common stock. Following the Closing Date, there were 20,000,000 shares of the Company's Common Stock outstanding and 143,000 shares of the Company's Series A Convertible Preferred Stock outstanding. Immediately prior to the Closing, there were 500,000 shares issued and outstanding.

M2B World is in the business of broadband entertainment and education-on-demand, streaming via computers, television sets, PDAs (Personal Digital Assistant) and in the near future through third generation devices; and the provision of broadband services. Its business includes channel and program sponsorship (advertising and branding); online subscriptions, channel/portal development (digital programming services); content aggregation and syndication; broadband consulting services and E-commerce.

The restructuring and re-capitalization has been treated as a reverse acquisition with M2B World becoming the accounting acquirer. The historical financial statements prior to the closing of the transaction are those of M2B World.

The following discussion should be read in conjunction with selected financial data and the financial statements and notes to financial statements.

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RESULTS OF OPERATIONS

Three months ended March 31, 2004 compared with three months ended March 31 2003

OVERVIEW

The key business focus of M2B will be to establish itself as the leading provider and creator of a new generation of Entertainment-on-Demand, Education-on-Demand and E-Commerce Channels on Broadband, and 3G (Third Generation) devices.

M2B owns exclusive rights in the broadband media for various contents. M2B will apply broadband technologies to facilitate its growth in the broadband and internet sector.

Broadband technology is high speed, high-bandwidth two-way data, voice and video communications, delivered at high transmission rates up to 12 Mbps. This will encompass:

- o Digital Subscriber Line (DSL) technology for delivery into computers o Set-top box technology for delivery into TV screens
- o Wireless technology for delivery into PDAs and 3G handphones

The immediate plan of M2B in the next three years is to launch high impact, rich media, entertainment and education content channels globally over the broadband and 3G, comprising:

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- o On-line "Television" on subscription basis - Broadband access premium sites
- o Advertising and Sponsorship - supporting the online broadband subscription sites
- o On-line shopping malls - E-commerce platforms, and alongside the broadband sites, on an interactive basis.

M2B's broadband sites will consist of :

- o ENTERTAINMENT SITES (CURRENT)

Music, movies, glamour and fashion, lifestyle (hobbies, cooking, personalities), documentaries, sports, health and fitness, and others.
- o EDUCATION SITES

BUSINESS AND CORPORATE TRAINING (CURRENT)

Management skills, communication skills, decision making, customer services and sales, motivation, presentation and writing skills, counseling and others.

SCHOOL LEARNING CURRICULUMS (FUTURE)
HEALTH AND WELLNESS (FUTURE)

For the broadband, M2B plans to deliver both wire and wireless solutions, streaming via computers, TV sets, PDAs and 3G handphones.

At the same time M2B plans to launch e-commerce channels (portals) that provide on-line shopping but with a difference, merging two leisure activities of shopping and entertainment, delivering the ultimate on-line experience. The entertainment channels are to drive and promote the shopping portals, and vice versa.

M2B World has a wholly owned subsidiary, M2B Commerce Limited (formerly known as CRE8 IP&P), registered in the British Virgin Islands. The acquisition of the entity, M2B Commerce Limited with the license to operate an E-Commerce Platform augurs well for M2B World. With this license M2B World can operate an E-Commerce platform in Singapore and also has the first right of refusal in certain Asian countries.

Through this E-Commerce platform M2B World will be able to provide a massive on-line trading opportunities for consumers and companies to barter and/or purchase goods. The marketing of this E-Commerce platform can be done through its entertainment channels

M2B World also operates online shopping portals along side broadband entertainment sites, this gives M2B World the added advantage of being able to inter-link the E-Commerce platform with the online shopping portal and broadband entertainment sites to provide an interactive experience of the consumers/viewers. This means that consumers/viewers can "pause" watching of videos; in order to shop or go to the E-Commerce platform to conduct a trade. The combination of this will provide M2B World with an attractive package to offer to the consumers/ viewers and put the company on a competitive edge.

The intention therefore is for M2B World to transfer and consolidate all of its online shopping portals under M2B Commerce Limited.

The online shopping portal together with the E-Commerce platform which comprised E-Commerce business of M2B World is estimated to account for 10% of total

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revenue with the rest coming from subscription, advertising and E-services. The E-Commerce platform will likely be launch in the first quarter/early second quarter of 2005.

M2B has built and installed its broadband streaming system complete with firewalls, load balancing, bandwidth and consumer monitoring systems, and video streaming, video storage and web servers in Singapore.

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M2B has a joint venture with FSBM Holdings Berhad (formerly known as Fujitsu System Business Malaysia Berhad) in Malaysia. The company is registered in Malaysia as FSBM M2B Sdn Bhd. The joint venture has been given pioneer shares in Malaysia, and its incentives include an investment tax allowance of up to five years. The joint venture serves as the production base for M2B, having digital post-production suites for content production and repurposing. M2B World owns a 9.76% equity stake in FSBM M2B Sdn Bhd.

M2B is currently developing its streaming applications to stream into television sets, through a copper wire or telephone cable and via a set top box. Testing of set top boxes was successfully completed in 2003.

By the end of 2003, M2B had developed a capability to stream wireless broadband and have its own digitized entertainment sites for wireless broadband applications. In 2004, M2B will be ready to launch its broadband content sites in the modified form for the 2.75/3G handphones.

BUSINESS MODEL

The business model in the area of broadband entertainment and services is to provide the company with multiple streams of revenue; from Channel and program sponsorship (advertising and branding); on-line subscriptions; channel/portal development (digital programming services); content aggregation and syndication; broadband consulting services; on-line shopping turnkey solutions; E-commerce commissions; and on-line dealership.

REVENUE

Revenue for the three months ended March 31, 2004 increased to \$1,036,521 from \$1,621 for the three months ended March 31, 2003. The increase of \$1,034,900 resulted primarily from advertising and content syndication revenues arising out of the launch of newly enhanced broadband sites.

Beginning August and September and for the last quarter of 2003, the company launched new broadband sites in US and Singapore. These sites included Chinese entertainment sites as well as business and corporate training sites, in the US and Singapore. One more new movie site was also launched in Singapore.

At the same time in the first three quarters of 2003 the company enhanced its existing broadband content and e-commerce sites, with better design and content

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mix. Hence no or little revenue was earned in the three months ended March 31, 2003.

These enhancements to the existing broadband sites, and the launch of the new Broadband sites as highlighted above, saw the first reasonably significant revenues from advertising and content syndication materializing in the last quarter of 2003.

By March 2004, the company had secured mainly advertising revenues with some e-commerce and subscription revenues, totaling \$1,036,521. The new Chinese sites, movie sites, business and corporate training sites attracted the bulk of the advertising revenue due to their content which comprised of television dramas, movies, documentaries, and corporate training videos.

COST OF SALES

Cost of sales for the three months ended March 31, 2004 was \$116,034, which constitutes 11% of the company's revenue for the three months period ended March 31, 2004, of \$1,036,521. The percentage of cost to revenue represents a significant decrease from the 419% for the three months period ended March 31, 2003 (cost at \$6,797 and revenue at \$1,621) and the 47% for the year ended December 31, 2003 (cost at \$475,525 and revenue at \$1,005,038).

For the three months ended March 31, 2003 the company had very little revenue as the advertising and content syndication revenue had not been secured. This was due to the fact that new broadband sites were being developed and existing broadband sites were being enhanced. Additionally, costs were incurred for the maintenance of the servers and websites. This resulted in a disproportional percentage between the cost of sales and revenue of 419%.

For the year ended December 31 2003, revenue came mainly in the last quarter from advertising and content syndication from the launch of new broadband sites and existing sites that were enhanced. The cost related to the acquisition of contents license rights for the broadband sites was incurred in the last two quarters of 2003 as in the first two quarters no new acquisition of contents was undertaken, as the broadband sites were still in the process of enhancements and development. As the increase in cost in the last two quarters of 2003 lagged behind the increase in revenue, cost of sales as a proportion of revenue for the year ended December 31, 2003 decreased to 47%.

The revenue stream continued into the first quarter ended March 31, 2004 when revenue came mainly from advertising and content syndication arising out of the launch of newly enhanced broadband sites. The company did not incur large expenditures on purchase of contents. The lower cost resulted in the percentage as a proportion of revenue decreasing to 11%.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended March 31 2004 increased to \$180,862 from \$51,663 for the three months ended March 31 2003. The increase was due to legal and professional fees incurred in the reverse merger and reorganization of M2B World and Amaru Inc.

OPERATING INCOME

For the three months ended March 31, 2004, the income from operations was US\$730,652 which increased by US\$790,746 from a loss of US\$60,094 for the three months ended March 31, 2003. The profit came mainly from the strong revenue growth in the three months ended March 31, 2004.

LIQUIDITY AND SOURCES OF CAPITAL

The company had cash of \$88,159 at March 31, 2004, as compared to cash of \$56,829 at March 31, 2003.

The company believes that cash generated from its operations is able to cover its daily running cost and overheads.

Cash generated from operations will not be able to cover the company's intended growth and expansion. The company has plans in 2004 to expand its broadband coverage by launching new broadband sites in North America and Asia.

In North America, the company intends to launch new entertainment and business training content sites in 2004. In Asia, the company plans to launch new health and wellness, and business training content sites in 2004. At least one broadband entertainment site is also planned for launching streaming content on a worldwide basis in 2004. In the area of E-commerce, the company plans to launch one shopping mall for health and wellness products online.

To achieve its plans, the company intends to seek to fund its new growth activities through equity financing.

In the three months ended March 31, 2004 the M2BWorld Pte, Ltd. raised \$416,000 of equity financing to fund its growth activities prior to acquisition of Amaru, Inc.

ITEM 3. Controls and Procedures

Our President and Treasurer/Chief Financial Officer (the "Certifying Officer") is responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting for the Company. The Certifying Officer has designed such disclosure controls and procedures and internal controls and procedures for financial reporting to ensure that material information is made known to him, particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls and procedures for financial reporting as of March 31, 2004 and believes that the Company's disclosure controls and procedures and internal controls and procedures for financial reporting are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

Item 1. Legal proceedings

No disclosures are required pursuant to Item 103 of Regulation S-B, taking into account Instruction 1 to that Item.

Item 2. Changes in securities and use of proceeds

During the quarter ended March 31, 2004, the Company issued 19,500,000 "restricted" shares of common voting stock of the Company and 143,000 "restricted" Series A Convertible Preferred Stock to the shareholders of M2B World pursuant to the Agreement and Plan Reorganization by and between the Company, M2B World and the shareholders of M2B World. The shares of the Company's common stock and preferred stock were issued and sold in reliance upon the exemption provided by Section 4(2) and Section 505 and 506 of Regulation D of the Securities Act of 1933.

Item 3. Defaults on senior securities NONE

Item 4. Submission of items to a vote NONE

Item 5. Other information NONE

Item 6.

(a) Exhibits

Exhibit No. -----	Description -----
Exhibit 31	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
Exhibit 32	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

b) Reports on 8K during the quarter: Form 8-K (Items 1,2 and 7).

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMARU, INC.

Date: February 7, 2005

By /s/ Colin Binny

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President

By /s/ Francis Foong Keong Kwong

Chief Financial Officer