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AMARU INC  
Form 10QSB  
May 24, 2004

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

FORM 10-QSB

- (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 Middland 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 -----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 88,159	\$ 60,307
Accounts receivable	12,108	14,097

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Other receivable	--	20,554
Prepaid expenses	17,390	33,758
Deposits	1,699	--
	-----	-----
Total current assets	119,356	128,716
Non current assets		
Property, equipment and software, net	2,436,803	18,866
Product development, net	270,485	297,402
Investment at equity	--	1,403,493
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	\$ 538,109	\$ 64,738
Accounts payable- related parties	--	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	1,287,585	867,292
Subscribed common stock, 0 and 337,513 shares at March 31, 2004 and December 31, 2003, respectively.	--	128,255
Retained earnings	698,718	160,696
Comprehensive loss on 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
	-----	-----
Revenue	\$ 1,036,521	\$ 1,621
Cost of services	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 (net loss) per share	\$ 0.03	\$ (0.00)
	=====	=====
Weighted average number of common shares outstanding	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  
 AS OF DECEMBER 31, 2003 AND MARCH 31, 2004

	Series A Convertible Preferred Stock		Common Stock			
	Number of Shares	Par Value (\$0.001)	Number of shares	Par value (\$0.001)	Additional 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	-

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Common stock subscribed at various dates	--	--	--	--	--	45,41
Net income	--	--	--	--	--	--
Comprehensive gain on 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	5,657	--
Net income	--	--	--	--	--	--
Comprehensive gain on translation	--	--	--	--	--	--
Comprehensive income	-----					
Balance March 31, 2004 (Unaudited)	143,000	\$ 143	20,000,000	\$20,000	\$1,287,585	\$ --
	=====					

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 -----
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
Changes in operating assets and liabilities		
Accounts receivable	1,989	4,549

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Prepaid and other	35,223	378
Accounts payable	50,041	(1,107)
Income tax payable	141,920	(111)
Other	9,799	(8,443)
	-----	-----
Cash provided from operating activities	842,224	(26,736)
CASH USED IN INVESTING ACTIVITIES		
Software development cost	(2,288)	--
Acquisition of software	(1,016,734)	--
Acquisition of equipment	(731)	--
	-----	-----
Cash used in investing activities	(1,019,753)	--
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.	(33,004)	--
Proceeds from sale of stock	294,045	--
Proceeds from stock subscriptions	--	38,368
	-----	-----
Total provide from financing activities	205,381	25,865
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
	=====	=====

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)

BASIS OF PRESENTATION  
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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

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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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### 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

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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 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

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Three Months Ended March 31, 2004 Compared With Three months Ended March 31, 2003.

Revenues 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 in the last four months of 2003, from September 2003 to December 2003. The Company was in the process of constructing and enhancing some of its broadband sites for the period ended 31 March 2003.

The cost of services for the three months ended March 2004 increased to \$116,034 from \$6,797 in the three months ended March 2003. The increase of \$109,237 resulted primarily from the acquisition of license rights for the broadband sites.

Administrative expenses for the three months ended March 2004 increased to \$180,862 from \$51,663 for the three months ended March 2003. The increase of



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\$129,199 resulted primarily from legal and other professional fees paid in the three months ended March 2004.

### LIQUIDITY AND SOURCES OF CAPITAL

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

The Company believes that cash generated from its operations which 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 will seek to fund its new growth activities through equity financing.

### 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

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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

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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.

Date: May 24, 2004

AMARU, INC.

By /s/ Colin Binny

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President and Chief Financial Officer

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