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AMARU INC  
Form 8-K/A  
October 19, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549  
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FORM 8-K/A-2

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934  
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Date of Report (Date of earliest event reported) February 25, 2004  
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AMARU, INC.  
-----

(exact name of registrant as specified in its charter)

Nevada  
-----

(State or other jurisdiction of incorporation)

000-32695

88-0490089  
-----

Commission File Number

IRS Employer Identification Number

112 Middle Road, #08-01 Midland House, Singapore 188970  
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(Address of principal executive offices)

Registrant's telephone number, including area code: (65) 6332 9287  
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ITEM 8.01. OTHER EVENTS.  
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Amaru, Inc. (the "Registrant") filed on May 12, 2004 the amendment to its Articles of Incorporation, increasing its authorized common stock to 200 million shares.

ITEM 9.01. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.  
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Amaru, Inc. (the "Registrant") has previously filed its Current Report

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on Form 8-K dated February 25, 2004, without certain financial statements required by Item 7 of such Form 8-K/ The Registrant hereby amends the Current Report on Form 8-K to file such financial statements.

Item 7, subparagraph (o) of the Report dated February 25, 2004, is hereby amended to read as follows:

Independent Auditors' Report of Mendoza Berger & Company, LLP.

Balance Sheets as of December 31, 2003 and December 31, 2002

Statements of Operations for the Fiscal Years Ended December 31, 2003 and December 31, 2002

Statement of Changes in Stockholders' Equity for the fiscal years ended December 31, 2003 and December 31, 2002.

Statements of Cash Flows for the Fiscal Year Ended December 31, 2003 and December 31, 2002.

Notes to Financial Statements

M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
M2B World Pte. Ltd. (Formerly known as M2B.Com Pte Ltd)

We have audited the accompanying balance sheets of M2B World Pte. Ltd. (Formerly known as M2B.Com Pte Ltd) (a Singapore corporation) as of December 31, 2003 and 2002, and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of

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the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M2B World Pte. Ltd. as of December 31, 2003 and 2002 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MENDOZA BERGER & COMPANY, LLP

Irvine, California  
May 14, 2004

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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
BALANCE SHEETS  
DECEMBER 31, 2003 AND 2002

|   | ASSETS | 2003         | 2002         |
|---|--------|--------------|--------------|
|   |        | -----        | -----        |
| <hr style="border-top: 1px dashed black;"/> |        |              |              |
|   | ASSETS |              |              |
|   |        | 2003         | 2002         |
|   |        | -----        | -----        |
| Current assets:                             |        |              |              |
| Cash and cash equivalents                   |        | \$ 60,307    | \$ 14,097    |
| Accounts receivable                         |        | 14,097       | 20,554       |
| Other receivable                            |        | 20,554       | 33,758       |
| Prepaid expenses                            |        | 33,758       | --           |
| Deposits                                    |        | --           | --           |
|   |        | -----        | -----        |
| Total current assets                        |        | 128,716      | 128,409      |
| Non-current assets:                         |        |              |              |
| Property and equipment, net                 |        | 18,866       | 297,402      |
| Product development, net                    |        | 297,402      | 1,403,493    |
| Investment at equity                        |        | 1,403,493    | 2,708        |
| Other                                       |        | 2,708        | --           |
|   |        | -----        | -----        |
| Total assets                                |        | \$ 1,851,185 | \$ 1,728,607 |
|   |        | =====        | =====        |

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LIABILITIES AND STOCKHOLDERS' EQUITY

|   |              |
|---|--------------|
| Current liabilities:  |              |
| Accounts payable  | \$ 64,738    |
| Accounts payable - related parties  | 423,444      |
| Advances from parent  | 55,518       |
| Line of credit  | 58,188       |
| Term loan - current portion   | 5,007        |
| Income tax payable  | 36,994       |
|   | -----        |
| Total current liabilities   | 643,889      |
| Non-current liabilities:  |              |
| Term loan - non-current portion   | --           |
|   | -----        |
| Total liabilities   | 643,889      |
|   | -----        |
| Commitments and Contingencies   | --           |
| Stockholders' equity:   |              |
| Common stock:   |              |
| Series A - \$0.0171428 par value; 10,000,000 shares authorized; 10,000,000 shares issued and outstanding at December 31, 2003 and 2002, respectively    | 171,428      |
| Series B - \$0.10 par value; 1,000,000 shares authorized; 1,000,000 shares issued and outstanding at December 31, 2003 and 2002, respectively           | 100,000      |
| Series C - \$0.25 par value; 2,000,000 shares authorized; 2,000,000 shares issued and outstanding at December 31, 2003 and 2002, respectively           | 500,000      |
| Series D - \$0.38 par value; 1,300,000 and 0 shares authorized; 300,000 and 0 shares issued and outstanding at December 31, 2003 and 2002, respectively | 114,000      |
| Common stock subscribed, 337,513 and 218,011 shares at December 31, 2003 and 2002, respectively   | 128,255      |
| Accumulated other comprehensive income (loss)   | 32,917       |
| Retained earnings   | 160,696      |
|   | -----        |
| Total stockholders' equity  | 1,207,296    |
|   | -----        |
| Total liabilities and stockholders' equity  | \$ 1,851,185 |
|   | =====        |

The accompanying notes are an integral part of these financial statements

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(FORMERLY KNOWN AS M2B.COM PTE LTD)  
 STATEMENTS OF INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

|   | 2003       | 2002       |
|---|------------|------------|
|   | -----      | -----      |
| Revenue:  |            |            |
| Licensing and advertising   | \$ 998,238 | \$ 352,744 |
| E-commerce  | --         | 52,342     |
| Subscription and related services   | 6,800      | 8,777      |
|   | -----      | -----      |
| Total revenues  | 1,005,038  | 413,863    |
| Cost of services (includes 423,444 purchased from<br>a related party in 2003) | 475,525    | 40,422     |
|   | -----      | -----      |
| Gross profit  | 529,513    | 373,441    |
| Operating and administrative expenses:  |            |            |
| Operating expenses  | 298,150    | 144,549    |
| General and administrative  | 160,582    | 143,436    |
|   | -----      | -----      |
| Total operating and administrative expenses                                   | 458,732    | 287,985    |
| Other income (expense):   |            |            |
| (Loss) gain on sale and disposal of fixed assets                              | (7,530)    | 2,283      |
| Interest income   | 661        | --         |
| Other income  | 44         | --         |
| Interest expense  | (3,874)    | (2,380)    |
|   | -----      | -----      |
| Total other income (expenses)   | (10,699)   | (97)       |
|   | -----      | -----      |
| Income before provision for income taxes                                      | 60,082     | 85,359     |
| Provision for income taxes  | (20,552)   | (15,930)   |
|   | -----      | -----      |
| Net income  | \$ 39,530  | \$ 69,429  |
|   | =====      | =====      |
| Earnings per share  | \$ 0.00    | \$ 0.01    |
|   | =====      | =====      |
| Weighted average number of common shares outstanding                          | 13,033,699 | 12,465,753 |
|   | =====      | =====      |

The accompanying notes are an integral part of these financial statements

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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

|  | COMMON STOCK     |            |                  |            |                  |            |
|--|------------------|------------|------------------|------------|------------------|------------|
|  | SERIES A         |            | SERIES B         |            | SERIES C         |            |
|  | NUMBER OF SHARES | AMOUNT     | NUMBER OF SHARES | AMOUNT     | NUMBER OF SHARES | AMOUNT     |
| Balance at December 31, 2001             | 10,000,000       | \$ 171,428 | --               | \$ --      | 2,000,000        | \$ 500,000 |
| Common stock issued for cash             | --               | --         | 1,000,000        | 100,000    | --               | --         |
| Common stock subscribed at various dates | --               | --         | --               | --         | --               | --         |
| Net income                               | --               | --         | --               | --         | --               | --         |
| Foreign currency translation adjustments | --               | --         | --               | --         | --               | --         |
| Total comprehensive income               | --               | --         | --               | --         | --               | --         |
| Balance at December 31, 2002             | 10,000,000       | 171,428    | 1,000,000        | 100,000    | 2,000,000        | 500,000    |
| Common stock issued for cash             | --               | --         | --               | --         | --               | --         |
| Common stock subscribed at various dates | --               | --         | --               | --         | --               | --         |
| Net income                               | --               | --         | --               | --         | --               | --         |
| Foreign currency translation adjustments | --               | --         | --               | --         | --               | --         |
| Total comprehensive income               | --               | --         | --               | --         | --               | --         |
| Balance at December 31, 2003             | 10,000,000       | \$ 171,428 | 1,000,000        | \$ 100,000 | 2,000,000        | \$ 500,000 |

(continued)

|  | COMMON STOCK SUBSCRIBED | RETAINED EARNINGS | ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | TOTAL STOCKHOLDERS' EQUITY |
|--|-------------------------|-------------------|---|----------------------------|
| Balance at December 31, 2001             | \$ --                   | \$ 51,737         | \$ --   | \$ 723,165                 |
| Common stock issued for cash             | --                      | --                | --  | 100,000                    |
| Common stock subscribed at various dates | 82,844                  | --                | --  | 82,844                     |

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|  |            |            |           |              |
|--|------------|------------|-----------|--------------|
| Net income                               | --         | 69,429     | --        | 69,429       |
| Foreign currency translation adjustments | --         | --         | (4,475)   | (4,475)      |
| Total comprehensive income               | --         | --         | --        | 64,954       |
| Balance at December 31, 2002             | 82,844     | 121,166    | (4,475)   | 970,963      |
| Common stock issued for cash             | --         | --         | --        | 114,000      |
| Common stock subscribed at various dates | 45,411     | --         | --        | 45,411       |
| Net income                               | --         | 39,530     | --        | 39,530       |
| Foreign currency translation adjustments | --         | --         | 37,392    | 37,392       |
| Total comprehensive income               | --         | --         | --        | 76,922       |
| Balance at December 31, 2003             | \$ 128,255 | \$ 160,696 | \$ 32,917 | \$ 1,207,296 |

The accompanying notes are an integral part of these financial statements.

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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

|   | 2003      | 2002      |
|---|-----------|-----------|
| Cash flows from operating activities:   |           |           |
| Net income  | \$ 39,530 | \$ 69,429 |
| Adjustments to reconcile net loss to net cash provided by operating activities: |           |           |
| Amortization  | 115,914   | 123,126   |
| Depreciation  | 24,689    | 32,617    |
| (Gain) loss on disposition of fixed assets                                      | 7,530     | (2,283)   |
| Investment in CRE8 IP&P in exchange for account receivable (1,403,493)          |           | --        |
| Changes in assets and liabilities:  |           |           |
| Accounts receivable and other receivable  | 522,680   | (412,312) |
| Prepaid expenses  | 546       | (3,225)   |
| Deposits  | 15,868    | (2,629)   |
| Accounts payable  | 56,492    | (28,119)  |

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|   |           |           |
|---|-----------|-----------|
| Accounts payable - related party                        | 422,968   | --        |
| Income tax payable                                      | 21,064    | 15,930    |
|   | -----     | -----     |
| Net cash used in operating activities                   | (176,212) | (207,466) |
|   | -----     | -----     |
| Cash flows from investing activities:                   |           |           |
| Acquisition of fixed assets                             | (2,360)   | (2,154)   |
| Product development                                     | (16,635)  | (3,569)   |
| Other assets  | --        | (2,708)   |
|   | -----     | -----     |
| Net cash used in investing activities                   | (18,995)  | (8,431)   |
|   | -----     | -----     |
| Cash flows from financing activities:                   |           |           |
| Proceeds from line of credit                            | 12,858    | 45,330    |
| Net proceeds of (payments on) bank term loan            | (13,573)  | 18,580    |
| Issuance of common stock for cash                       | 114,000   | 100,000   |
| Common stock subscribed                                 | 45,411    | 82,844    |
| Advances from parent                                    | 1,726     | 14,537    |
|   | -----     | -----     |
| Net cash provided by financing activities               | 160,422   | 261,291   |
|   | -----     | -----     |
| Comprehensive gain from currency translation            | 37,392    | 10,818    |
|   | -----     | -----     |
| Net increase in cash and cash equivalents               | 2,607     | 56,212    |
| Cash and cash equivalents, beginning of year            | 57,700    | 1,488     |
|   | -----     | -----     |
| Cash and cash equivalents, end of year                  | \$ 60,307 | \$ 57,700 |
|   | =====     | =====     |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:       |           |           |
| Cash paid during the year for:                          |           |           |
| Interest  | \$ 3,874  | \$ 2,380  |
|   | =====     | =====     |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY: |           |           |
| Write-off of fully depreciated fixed assets             | \$ 50,413 | \$ 3,577  |
|   | =====     | =====     |

The accompanying notes are an integral part of these financial statements

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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002



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### 1. ORGANIZATION AND BUSINESS

M2B World Pte. Ltd. (the Company) was incorporated on April 27, 2000 in Singapore, and is 76.9 % and 83.3% owned by M2B Media Pte. Ltd. (the Parent), a Singapore corporation, at December 31, 2003 and 2002, respectively. The Company provides broadband services including broadband channels, webcasting, and e-commerce applications.

The Company creates and provides entertainment-on-demand, education-on-demand channels, and on-line shopping malls on broadband. M2B World channels and sites are delivered through both wire and wireless solutions. Its content streams via computers, television sets, PDAs (personal digital assistant), and in the future 3G (third generation) devices. The channels and sites stream video-on-demand to the consumers, which are available 24 hours a day, and seven days a week.

The company applies broadband technologies to facilitate its growth in the broadband sector. Broadband is high speed, high bandwidth, two-way data, voice and video communications, and is delivered at high transmission rates. The Company has its own broadband streaming system for the streaming of broadband sites globally.

The company's business model in the area of broadband services aims at providing the company with multiple streams of revenue: on-line subscriptions, advertising and sponsorships, content syndication, e-commerce commissions and on-line dealerships, broadband consulting services and on-line shopping turnkey solutions.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 these related revenues for 2003 and 2002, respectively.

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

M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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CASH AND CASH EQUIVALENTS

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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

---

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 turn-key solutions are recognized as earned.

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

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

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Licensing rights refers to the rights to use the content. These rights

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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 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

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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 2003 and 2002.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ADVERTISING COSTS

The cost of advertising is expensed as incurred. For the years ended December 31, 2003 and 2002, the Company incurred advertising expenses of \$1,067 and \$1,339, respectively.

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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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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

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The carrying amounts for the Company's cash, other current assets, accounts payable, accrued expenses, notes payable, and other liabilities approximate their fair value.

### 3. PROPERTY AND EQUIPMENT

-----

Property and equipment consist of the following at December 31:

|                                 | 2003      | 2002      |
|---------------------------------|-----------|-----------|
|                                 | -----     | -----     |
| Office equipment                | \$ 58,857 | \$ 86,170 |
| Furniture, fixture and fittings | 396       | 26,611    |
|                                 | -----     | -----     |
|                                 | 59,253    | 112,781   |
| Accumulated depreciation        | (40,387)  | (64,056)  |
|                                 | -----     | -----     |
|                                 | \$ 18,866 | \$ 48,725 |
|                                 | =====     | =====     |

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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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### 3. PROPERTY AND EQUIPMENT (Continued)

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Depreciation expense was \$24,689 and \$32,617 for the years ended December 31, 2003 and 2002, respectively

### 4. PRODUCT DEVELOPMENT

Product development consists of the following at December 31:

|                          | 2003       | 2002       |
|--------------------------|------------|------------|
| Development expenditures | \$ 595,413 | \$ 578,778 |
| Accumulated amortization | (298,011)  | (182,097)  |
|                          | \$ 297,402 | \$ 396,681 |

Amortization expense was \$115,914 and \$123,126 for the years ended December 31, 2003 and 2002, respectively

### 5. INVESTMENT AT EQUITY

CRE8 IP&P held the license to operate an E-commerce platform in Singapore as well as the first right of refusal in various Asian countries. The company had not commenced operations when it was acquired by M2B World.

In December 2003, M2B World acquired 50% of CRE8 IP&P in exchange for account receivable from CRE8 IP&P's parent, CRE8 International. Since M2B World did not have control over the license for Singapore, it recorded the acquisition as an investment at cost at December 31, 2003.

The company gained control of CRE8 IP&P in January 2004 when they acquired the remaining 50% of the company in exchange for an account receivable from CRE8 IP&P's parent, CRE8 International and obtained complete control over the license acquired. The basis of the license has been recorded at the Company's acquisition purchase price in accordance with the "Push Down" accounting as required by SAB No 54.

The subsidiary had no activities or operations during the period. (The Company plans to start up the subsidiary operation in the fourth quarter of 2004 or the first quarter of 2005.)

### 6. BANK FINANCING

#### TERM LOAN

At January 29, 2002, the Company obtained a \$27,275 term loan repayable over 2 years under Local Enterprise Finance (LEF) Scheme Loan (Micro Loan), which bears interest at 5% per annum or such other rates as may be approved by the Singapore Productivity and Standards Board under the LEF Micro Loan Scheme. This loan is secured by a personal guarantee of a director. The monthly installment payment is \$1,288 including principal and interest commencing in April 2002.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

6. BANK FINANCING (Continued)

-----  
TERM LOAN (Continued)  
-----

The following are amounts outstanding at December 31:

|                           | 2003     | 2002      |
|---------------------------|----------|-----------|
|                           | -----    | -----     |
| Total outstanding balance | \$ 5,007 | \$ 18,580 |
| Less: current portion     | (5,007)  | (14,224)  |
|                           | -----    | -----     |
|                           | \$ --    | \$ 4,356  |
|                           | =====    | =====     |

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 and \$45,330 at December 31, 2003 and 2002, respectively.

7. 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 and \$11,198 for the years ended December 31, 2003 and 2002, respectively.

Future minimum lease payments due are as follows for the years ended December 31:

|      |           |
|------|-----------|
| 2004 | \$ 18,597 |
| 2005 | 3,712     |
|      | -----     |
|      | \$ 22,309 |
|      | =====     |

M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

8. CAPITAL STOCK  
-----

COMMON STOCK  
-----

Series A, B, C and D common stock all have the same right and privileges except for their respective par values.

In July 2002, the Company issued 1,000,000 shares of \$0.10 par value Series B common stock for a cash capital contribution of \$100,000.

In November 2003, the Company issued 300,000 shares of \$0.38 par value Series D common stock for a cash capital contribution of \$114,000.

In February 2004, the Company issued 1,000,000 shares of \$0.38 par value Series D common stock for a total cash capital contribution of \$416,000.

9. INCOME TAXES  
-----

The Company files separate tax returns. Reconciliation of the differences between the statutory tax and the effective income tax are as follows

|                                      | DECEMBER 31, 2003 | DECEMBER 31, 2002 |
|--------------------------------------|-------------------|-------------------|
|                                      | -----             | -----             |
| U.S. Federal statutory tax           | -%                | -%                |
| U.S. State taxes, net of federal tax | -%                | -%                |
| Foreign statutory tax rate           | 22.0%             | 22.0%             |
| Non-deductible items                 | 23.4%             | 4.4%              |
| Tax exemptions                       | (11.2%)           | (7.7%)            |
|                                      | -----             | -----             |
| Effective income tax rate            | 34.2%             | 18.7%             |
|                                      | =====             | =====             |



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M2B WORLD PTE. LTD.  
(FORMERLY KNOWN AS M2B.COM PTE LTD)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

---

9. INCOME TAXES (Continued)  
-----

The components of income tax expense consist of the following for the years ended December 31:

|          | 2003     | 2002     |
|----------|----------|----------|
|          | -----    | -----    |
| Current: |          |          |
| Federal  | \$ --    | \$ --    |
| State    | --       | --       |
| Foreign  | 20,552   | 15,930   |
|          | -----    | -----    |
|          | \$20,552 | \$15,930 |
|          | =====    | =====    |

The Company operated primarily in Singapore and incurred no United States federal or state income taxes as of December 31, 2003 and December 31, 2002. The Company had no significant deferred tax assets or liabilities as of December 31, 2003 and December 31, 2002.

10. RELATED PARTY TRANSACTIONS  
-----

During the year ended December 31, 2003 the Company purchased services from a related party in the amount of \$423,444.

11. SUBSEQUENT EVENT  
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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. 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.

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

|   | MARCH 31, 2004<br>(CONSOLIDATED)<br>(UNAUDITED) | DECEMBER 31,<br>2003 |
|---|---|----------------------|
|   | -----   | -----                |
| <b>ASSETS</b>   |   |                      |
| 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, net   | 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          |
|   | =====   | =====                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |   |                      |
| Current liabilities   |   |                      |
| Accounts payable  | \$ 62,623                                       | \$ 64,738            |
| 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              |

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|  |             |             |
|--|-------------|-------------|
| 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<br>MONTHS ENDED<br>MARCH 31, 2004<br>(CONSOLIDATED) | FOR THE THREE<br>MONTHS ENDED<br>MARCH 31, 2003 |
|---|---|---|
|   | -----   | -----   |
| 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 purchased from a<br>related party for the three months ended 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<br>outstanding - basic and diluted                                     | 19,088,384  | 17,727,273                                      |
|   | =====   | =====   |

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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<br>Preferred Stock |                        | Common Stock        |                        |                                  |                     |
|--|---|------------------------|---------------------|------------------------|----------------------------------|---------------------|
|  | Number<br>of Shares                     | Par Value<br>(\$0.001) | Number of<br>shares | Par value<br>(\$0.001) | Additional<br>Paid-in<br>capital | Subscribed<br>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<br>various dates          | --                                      | --                     | --                  | --                     | --                               | 45,41               |
| Net income   | --                                      | --                     | --                  | --                     | --                               | --                  |
| Comprehensive gain on<br>currency translation        | --                                      | --                     | --                  | --                     | --                               | --                  |
| Comprehensive income                                 |   |                        |                     |                        |                                  |                     |
| Balance December 31, 2003                            | --                                      | --                     | 18,136,364          | 18,136                 | 867,292                          | 128,25              |
| Shares issued for cash<br>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<br>currency translation        | --                                      | --                     | --                  | --                     | --                               | --                  |
| Comprehensive income                                 |   |                        |                     |                        |                                  |                     |
| Balance March 31, 2004<br>(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

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

|  | FOR THE THREE<br>MONTHS ENDED<br>MARCH 31, 2004<br>(CONSOLIDATED)<br>----- | FOR THE THREE<br>MONTHS ENDED<br>MARCH 31, 2003<br>----- |
|--|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES  |  |  |
| Net income (loss)  | \$ 571,026   | \$ (61,019)  |
| Adjustments to reconcile net income (loss)<br>to cash (used) or provided by operations |  |  |
| Amortization   | 29,205   | 30,643   |
| Depreciation   | 3,021  | 8,374  |
| Acquisition of license   | (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   |
| Effects 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  |

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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

-----  
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 judgements 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. License and advertising revenues were concentrated with one customer totaling 100% of these related revenues for March 31, 2004.

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

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.

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### REVENUES

-----

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.

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

### 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

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### 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.

### 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.

### 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

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-----

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.

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### FINANCIAL INSTRUMENTS

-----

The carrying amounts for the Company's cash, other current assets, accounts payable, accrued expenses, notes payable, and other liabilities approximate their fair value.

### 3. PROPERTY AND EQUIPMENT

-----

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

|                                 | December 31,<br>2003 | March 31,<br>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         |
|                                 | =====                | =====             |

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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,<br>2003 | March 31,<br>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.

### 5. INVESTMENT AT EQUITY

CRE8 IP&P held the license to operate an E-commerce platform in Singapore as well as the first right of refusal in various Asian countries. The company had not commenced operations when it was acquired by M2B World.

In December 2003, M2B World acquired 50% of CRE8 IP&P in exchange for account receivable from CRE8 IP&P's parent, CRE8 International. Since M2B World did not have control over the license for Singapore, it recorded the acquisition as an investment at cost at December 31, 2003.

The company gained control of CRE8 IP&P in January 2004 when they acquired the remaining 50% of the company in exchange for account receivable from CRE8 IP&P's parent, CRE8 International and obtained complete control over the license acquired. The basis of the license has been recorded at the Company's acquisition purchase price in accordance with the "Push Down" accounting as required by SAB No 54.

The subsidiary had no activities or operations during the period. (The Company plans to start up the subsidiary operation in the fourth quarter of 2004 or the first quarter of 2005.)

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The company gained control of CRE8 IP&P in January 2004 when they acquired the remaining 50% of the company in exchange for account receivable from CRE8 IP&P's parent, CRE8 International and obtained complete control over the license acquired. The basis of the license has been recorded at the Company's acquisition purchase price in accordance with the "Push Down" accounting as required by SAB No 54.

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6. 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.

7. 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 period ended March 31, 2004 and the year ended December 31, 2005

|      |    |        |
|------|----|--------|
| 2004 | \$ | 16,704 |
| 2005 |    | 3,712  |
|      |    | -----  |
|      | \$ | 20,416 |
|      |    | =====  |

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8. 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 amount of cash of \$416,000.

9. INCOME TAXES  
-----

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, 2004 | March 31, 2003 |
|                            | -----          | -----          |
| U.S. Federal statutory tax | -%             | -%             |

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|                                      |         |         |
|--------------------------------------|---------|---------|
| 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%  | -%      |
|                                      | =====   | =====   |

The components of income tax expense consist of the following for the three month ended March 31:

|          | March 31, 2004 | March 31, 2003 |
|----------|----------------|----------------|
|          | -----          | -----          |
| 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, 2004 and 2003. The Company had no significant deferred tax assets or liabilities as of March 31, 2004 and 2003.

10. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2004 the Company purchased services from a related party in the amount of \$68,404.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: October 19, 2004

AMARU, INC.

By: /s/ Colin Binny

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Colin Binny  
President