AMARU INC
Form 10QSB
May 20, 2005

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, 2005

( ) 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 April 20, 2005: 28,450,000 shares.

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

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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AMARU, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	MARCH 31 2005	DECEMBER 31, 2004
ASSETS		

Current assets		
Cash and cash equivalents	$ 753,629	$ 644,319
Accounts receivable	516,952	239
Other receivable	540,000	680,737
Other current assets	36,226	5,576
Total current assets	1,846,807	1,330,871
Non current assets		
Property and equipment, net	766,985	520,360
Product development, net	165,657	181,948
License	2,420,227	2,420,227
Total non current assets	3,352,869	3,122,535
Total assets	$5,199,676	$4,453,406
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 601,830	$ 126,345
Accounts payable-related parties	--	473,792
Line of credit	--	--
Deferred tax liability	103,851	36,760
Advances from related parties	136,533	179,736
Total current liabilities	842,214	816,633
Commitments	--	--
Shareholders' equity		
Series A convertible preferred stock (par value $0.001) 5,000,000 shares authorized: 0 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	--	--
Common stock (par value $0.001) 200,000,000 shares authorized; 27,400,000 shares issued and outstanding at March 31, 2005 and 27,200,000 at December 31, 2004	27,400	27,200
Paid in capital	3,477,176	2,932,751
Retained earnings	839,959	667,634
Comprehensive gain on currency translation	12,927	9,188
Total shareholders' equity	4,357,462	3,636,773
Total liabilities and shareholders' equity	$5,199,676	$4,453,406

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

AMARU, INC. & SUBSIDIARIES

STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31, 2005	FOR THE THREE MONTHS ENDED MARCH 31, 2004
Revenue:		
Licensing and advertising	$ 902,696	$ 1,005,917
Broadband consulting services	500,000	--
E-commerce	--	11,979
Other income	527	18,625
Total revenue	1,403,223	1,036,521
Cost of services (includes $0 and $68,404 of services purchased from related party during the three months ended March 31, 2005 and 2004 respectively)	878,014	116,034
Gross profit (loss)	525,209	920,487
Distribution costs	59,361	8,973
Administrative expenses	226,051	180,862
Total expenses	285,412	189,835
Income from operations	239,797	730,652
Interest expenses	--	454
Provision for Income taxes	67,472	159,172
Net income	$ 172,325	$ 571,026
Earnings per share - basic and diluted	$ 0.01	$ 0.03
Weighted average number of common shares outstanding - basic and diluted	27,234,444	19,088,384

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

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AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

Series A Convertible Preferred Stock   Common Stock

	Number of Shares	Par Value ($0.01)	Number of Shares	Par Value ($0.001)	Additional Paid-in Capital	Subscribed stock	Re Ea
Balance December 31, 2003	--	$ --	18,136,364	$ 18,136	$ 867,292	$ 128,255	$1
Shares issued for cash Feb. 10, 2004	--	--	1,363,636	1,364	414,636	(128,255)	
Reverse acquisition	143,000	143	500,000	500	(27,347)	--	
Stock issued for services	--	--	1,000,000	1,000	49,000	--	
Common stock issued for cash	--	--	700,000	700	1,629,170	--	
Stock converted	(143,000)	(143)	5,500,000	5,500	--	--	
Net income	--	--	--	--	--	--	5
Comprehensive loss on currency translation	--	--	--	--	--	--	
Comprehensive income	--	--	--	--	--	--	
Balance December 31, 2004	--	--	27,200,000	27,200	2,932,751	--	6
Common stock issued for cash	--	--	200,000	200	544,425	--	
Net income	--	--	--	--	--	--	1
Comprehensive gain on currency translation	--	--	--	--	--	--	
Comprehensive income	--	--	--	--	--	--	
Balance March 31, 2005	--	$ --	27,400,000	$ 27,400	$ 3,477,176	$ --	$8

The accompanying notes to financial statements are an integral part of th

AMARU, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

FOR THE FOR THE

	THREE MONTHS ENDED MARCH 31, 2005	THREE MONTHS ENDED MARCH 31, 2004
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 172,325	$ 571,026
Adjustments to reconcile net income to cash and cash equivalents used or provided by operations:		
Amortization	33,751	29,205
Depreciation	4,841	3,021
Acquisition of license in exchange for accounts receivable	--	(1,016,734)
Changes in operation assets and liabilities		
Accounts receivable	(516,713)	1,989
Other receivables	140,737	20,554
Other current assets	(30,650)	14,669
Accounts payable and accrued expenses	68,784	50,041
Income tax payable	--	141,920
Net cash used in operating activities	(126,925)	(184,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Software development cost	(17,460)	(2,288)
Acquisition of equipment	(251,466)	(731)
Net cash (used in)investing activities	(268,926)	(3,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payable to related party	(43,203)	2,644
Payments on line of credit	--	(58,304)
Recapitalization of M2B World Pte. Ltd.	--	(26,704)
Issuance of common stock for cash	544,625	287,745
Net cash provided by financing activities	501,422	205,381
Effect of exchange rate changes on cash and cash equivalents	3,739	9,799
Cash flow from all activities	109,310	27,852
Cash and cash equivalents at beginning of period	644,319	60,307
Cash and cash equivalents at end of period	$ 753,629	$ 88,159
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ --	$ 454
Income taxes	$ --	$ 17,535

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

AMARU INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2005 AND 2004
(UNAUDITED)

1. BASIS OF PRESENTATION AND REORGANISATION

DESCRIPTION OF BUSINESS

The Company through its wholly owned subsidiary, M2B World, is one of the significant participants in the Broadband entertainment business. The Company is the leading provider of interactive video-on-demand streaming and e-commerce over Broadband channels, Internet portals and Third-Generation (3G) devices. It has launched multiple Broadband TV and integrated shopping websites with over 100 channels of content designed and programmed to effectively target specific viewer profiles and lifestyles of local and international audiences.

The Company controls substantial content libraries for aggregation, distribution and syndication on Broadband and other media, sourced from Hollywood and major content providers around the world.

The Company's business strategy is to be a diversified media company specializing in the interactive media industry, using the latest broadband, E-Commerce and communications technologies and access to international content and programming.

The Company's goal is to provide on-line entertainment and education on-demand on Broadband channels, Internet portals and 3G devices across the globe; for specific and identified viewer lifestyles, demographics and interests; and to tie the viewing experience to an on-line shopping experience. This is to enable two leisure activities to be rolled into one for the ultimate convenience and reaching out to a global viewing audience.

REORGANIZATION

As of February 25, 2004, an agreement was entered into 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.

BASIS OF PRESENTATION

The financial statements 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, 2005, are not necessarily indicative of the results to be expected for the full year.

The accompanying financial statements do not include footnote and certain financial presentation 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, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Amaru Inc and its wholly owned subsidiaries. All significant transactions among the consolidated entities have been eliminated upon consolidation.

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 two customers totaling 100% of these related revenues for the three months ended March 31, 2005 and one customer totaling 100% of these related revenues for the three months ended 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	
	2005	2004
Services purchased outside of Singapore	$ 878,014	$ 68,404

No sales were made outside of Singapore for the three months ended March 31, 2005 and March 31, 2004.

CASH AND CASH EQUIVALENTS

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.

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

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. Licensing and 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 mainly from licensing and advertising and content syndication.

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 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 to five 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, 2005 and the year ended December 31, 2004.

ADVANCES FROM RELATED PARTY

Advances from related party are unsecured, non-interest bearing and payable on demand.

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

The cost of advertising is expensed as incurred. For the three months ended March 31, 2005 and 2004 the company incurred advertising expenses of $20,144 and $334 respectively.

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 (LOSS) PER SHARE

In February 1997, the Financial Accounting Standards Board (FASB) issued FAS 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 liabilities approximate their fair value.

RECLASSIFICATIONS

Certain amounts in the previous periods presented have been reclassified to conform to the current years financial statement presentation.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2005	December 31, 2004
Office equipment	$ 116,544	$ 65,078
Film Library	700,000	500,000
Furniture, fixture and fittings	4,578	4,578

	821,122	569,656
Accumulated depreciation	(54,137)	(49,296)
	$ 766,985	$ 520,360

Depreciation expense was $4,841 for the three months ended March 31, 2005 and $3,021 for the three months ended March 31, 2004

4. PRODUCT DEVELOPMENT

Product development consists of the following:

	March 31, 2005	December 31, 2004
Development expenditures	$ 618,561	$ 601,101
Accumulated amortization	(452,904)	(419,153)
	$ 165,657	$ 181,948

Amortization expense was $33,751 for the three months ended March 31, 2005 and $29,205 for the three months ended March 31, 2004.

5. LINE OF CREDIT

The Company has a line of credit, $60,632 for three months ended March 31, 2005 and $61,267 for year ended December 31, 2004, 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 March 31, 2005 and December 31, 2004). This line of credit is secured by a certificate of deposit and interest is payable monthly. The outstanding balance was zero at both March 31, 2005 and December 31, 2004.

6. COMMITMENTS

LEASES

The Company renewed its lease with a larger office space of about 4,000 square feet, at a monthly rental of $4,244. The new lease period is for three years, expiring on March 16, 2008.
Rent expense totaled $7,781 for the three months ended March 31, 2005 and $1,893 for the three months ended March 31, 2004.

Minimum lease payments for the noncancellable operating leases for the years ending December 31,

2005	2006	2007	2008	Total

$ 38,196	$ 50,928	$ 50,928	$ 10,678	$ 150,730

7. CAPITAL STOCK

COMMON STOCK

On February 1, 2005, Amaru Inc issued 50,000 shares of common stock through private placement at a price of $3.00 per share for a total amount of $150,000.

On March 31, 2005, Amaru Inc issued 150,000 shares of common stock through private placement at a price of $3.00 per share for a total amount of $450,000.

Costs of $55,375 associated with the issuance of common stock were deducted from additional paid-in capital during the quarter ended March 31, 2005.

8. 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, 2005	March 31, 2004
U.S. Federal statutory tax	--%	--%
U.S. State taxes, net of federal tax	--%	--%
Foreign statutory tax rate	27.92%	21.78%
Valuation allowance	--%	--%
Effective income tax rate	27.92%	21.78%

The components of income tax expense consist of the following:

	For the three months ended	
	March 31, 2005	March 31, 2004
Current:		
Federal	$ --	$ --
State	--	--
Foreign	67,472	159,172
Valuation allowance	--	--
	$ 67,472	$ 159,172

The Company operated primarily in Singapore and incurred no United States federal or state income taxes as of March 31, 2005 and 2004.

The Company had available approximately $330,000 of unused Federal net operating loss carry-forwards at March 31, 2005, that may be applied against future taxable income. These net operating loss carry-forwards expire for Federal purposes in 2025. There is no assurance that the Company will realize the benefit of the net operating loss carry-forwards.

SFAS No. 109 requires a valuation allowance to be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. At March 31, 2005, a valuation allowance for the full amount of the net deferred tax asset was established due to the uncertainties as to the amount of the taxable income that would be realized.

9. SUBSEQUENT EVENT

On April 4, 2005, the Company issued 100,000 shares of common stock through private placement at a price of $3 per share for a total amount of $300,000.

On April 12, 2005, the Company issued 100,000 shares of common stock through private placement at a price of $3 per share for a total amount of $300,000.

On April 14, 2005, the Company issued 750,000 shares of common stock through private placement at a price of $3 per share for a total amount of $2,250,000.

On April 20, 2005, the Company issued 100,000 shares of common stock through private placement at a price of $3 per share for a total amount of $300,000.

On May 3, 2005, the Company issued 80,000 shares of common stock through private placement at a price of $3 per share for a total amount of $240,000.

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

M2B World is in the business of broadband entertainment and education-on-demand, streaming via computers, television sets, PDAs (Personal Digital Assistant) 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, broadband hosting and streaming services and E-commerce.

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

RESULTS OF OPERATIONS

For the quarter ended March 31, 2005 compared with the quarter ended March 31, 2004

OVERVIEW

The key business focus of the Company is 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.

The Company owns exclusive rights in the broadband media for various content. The Company intends to apply broadband technologies to facilitate its growth in the broadband and internet sector.

For the broadband, the Company delivers both wire and wireless solutions, streaming via computers, TV sets, PDAs and 3G hand phones.

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

The Company's business model in the area of broadband entertainment includes both education on-demand and e-services, which would provide the Company with multiple streams of revenue. Such revenues would be derived from channel and program sponsorship (advertising and branding), on-line subscriptions, online games micro-payments, channel/portal development (digital programming services), content aggregation and syndication, broadband consulting services, on-line shopping turnkey solutions, broadband hosting and streaming services, E-commerce commissions and on-line dealerships.

The Company's Broadband Sites

As of March 31, 2005, the following Broadband sites have been set up both in the United States and abroad to cater to different market segments.

1. ENTERTAINMENT

International sites:

- Star78.com - an advertising-based Family Entertainment site
- Shine8.com - an advertising-based Lifestyle site
- Jump29.com - an advertising-based Young Adults site
- Dreamstage7.com - an advertising & subscription-based Glamour & Fashion site
- Dimension88.com - an advertising & subscription-based Movie site
- Dragon78.com - an advertising & subscription-based Mandarin Entertainment site

US Sites:

- Dragon78.tv - an advertising & subscription-based Mandarin Entertainment site

2. EDUCATION SITES

International Sites:

- Wiz5.com - an advertising & subscription-based Business & Corporate Training site

US Sites:

- Wiz5.US - an advertising & subscription-based Business & Corporate Training site

3. E-COMMERCE SITES

International Sites:

- Starzmall, A One-Stop Shopping Paradise
- Trotteuse, A Second-Hand Branded Goods Mall

In fiscal 2005, the Company plans to restructure its operations to meet fully its global expansion initiatives. Part of this plan has already been put in place in the first quarter of 2005 when the business were reorganized under the following undermentioned entities to spearhead the expansion of the Company's business and focus on specific growth areas and territories.

M2B WORLD PTE LTD (SINGAPORE)

This subsidiary will continue to oversee the management and operation of the company as a whole and oversee the Asian business.

M2B WORLD INC.(USA)

M2B WORLD INC.(USA) was incorporated on January 24, 2005. This subsidiary will handle and oversee the Company's business in the USA. The company has leased a new office on Sunset Boulevard, West Hollywood that comes into effect from April 1, 2005. The Company plans to complete the transfer of its US broadband sites and some international sites to M2B World Inc by second quarter of 2005.

M2B GAME WORLD PTE LTD (SINGAPORE)

M2B GAME WORLD PTE LTD (SINGAPORE) was incorporated on January 24, 2005. This company will function as a wholly owned subsidiary company of M2B World Pte Ltd and will handle the venture into online games. The Company has already secured an online games franchise for six countries. The online games platform and micro-payment gateway is expected to be operational in Singapore by second quarter of 2005.

AMARU HOLDINGS LIMITED (BVI)

AMARU HOLDINGS LIMITED (BVI) was incorporated in the British Virgin Islands on February 21, 2005. All rights and licenses for the entertainment and education content (like movies, dramas, lifestyles, corporate training, and others) will be held under this company.

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M2B COMMERCE LIMITED(BVI).

M2B World has a wholly owned subsidiary, M2B Commerce Limited, registered in the British Virgin Islands. M2B World intends to consolidate all its e-commerce operations and possibly launch new "e-bay" type initiatives under M2B Commerce Limited. With effect from January 11, 2005 ownership of this company has been transferred from M2B World Pte Ltd to Amaru Inc. and is wholly owned directly under Amaru Inc. New online e-commerce malls are currently being designed and built; these new malls are expected to be operational by third quarter of 2005.

A CHINA REPRESENTATIVE OFFICE has been set up in Shanghai.

This representative office will be under M2B World Pte Limited and handle the Company's China business. The representative office has leased office space in the Shui On Plaza on Huai Hai Zhong Road in Central Shanghai with effect from March 15 2005.

M2B WORLD TRAVEL LIMITED (BVI)

M2B WORLD TRAVEL LIMITED (BVI) was recently incorporated in the British Virgin Islands on May 3, 2005. This Company will be used to launch a global online travel platform, which is expected to be ready for operation by end of 2005.

REVENUE

The revenue for the three months ended March 31, 2005 was $1,403,223.

Revenue for the three months ended March 31, 2005 at $1,403,223 was higher than revenue of $1,036,521 for the three months ended March 31, 2004 by $366,702 (35%).

The revenue for the three months ended March 31, 2004 was primarily from advertising ($1,005,917) which came from the new Chinese sites, movie sites, business and corporate training sites with varied and attractive content which comprised television dramas, movies, documentaries and corporate training videos.

The Company continued to enhance its broadband sites and acquired varied and rich mix of contents catering to diversified needs and different lifestyles of its subscribers. Besides subscription, the enhanced broadband sites also attracted $900,000 of advertising revenue for the three months ended March 31, 2005. Another $500,000 of revenue came from software services.

COST OF SALES

Cost of sales for the three months ended March 31, 2005 was $878,014 which increased by $761,980 (657%) from $116,034 for the three months ended March 31, 2004.

As a proportion of revenue, the cost of sales for the three months ended March 31, 2005 was 63% (cost of sales at $878,014 and revenue at $1,403,223) as compared to 11% for the three months ended March 31, 2004 (cost of sales at $116,034 and revenue at $1,036,521).

The significant increase in cost of sales of $761,980 (657%) was mainly attributed to the acquisition of contents license rights for the company's broadband sites for the three months ended March 31, 2005. These acquisitions enabled the Company to provide a varied and rich mix of contents which can cater to the diversified needs and different lifestyles of its subscribers. These acquisitions of contents license rights in the three months ended March 31, 2005 of $878,014 resulted in a high proportion of 63% of cost of sales over revenue.

The proportion of 63% for the three months ended March 31, 2005 compared to the 11% for the three months ended March 31, 2004 was high as the company did not incur large expenditures on purchase of contents license rights for the three months ended March 31, 2004 ($116,034). The acquisition of contents license rights was low as much of the acquisitions were already done in the last two quarters of 2003 in preparation for the launch of new broadband sites and enhanced broadband sites towards the later half of 2003. This low cost coupled with the large revenue from advertising for the three months ended March 31, 2004 resulted in the low proportion of 11%.

DISTRIBUTION EXPENSES

Distribution expenses for the three months ended March 31, 2005 at $59,361 was higher by $50,388 (561%) as compared to the amount of $8,973 incurred for the three months ended March 31, 2004.

The higher distribution expenses was attributed mainly to the marketing of M2B network of broadband sites ($15,000) and staff traveling to open new markets and develop new businesses ($33,334).

GENERAL AND ADMINISTRATIVE EXPENSES

Administration expenses for the three months ended March 31, 2005 at $226,051 was higher by $45,189 (25%) as compared to the amount of $180,862 incurred for the three months ended March 31, 2004.

The increase was attributed mainly to staff costs from the increase in headcount to support the growing business.

Net Income

For the three months ended March 31, 2005 net income was $172,325 which decreased by $398,701 (70%) from $571,026 for the three months ended March 31, 2004.

The decrease in net income was due to the higher costs incurred in the three months ended March 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at $753,629 at March 31 2005 as compared to cash of $644,319 at December 31, 2004.

The Company does not finance its operations through short-term bank credit, long-term bank loans nor leasing arrangements with financial institutions as it believes that cash generated from its operations will be able to cover its daily running cost and overheads.

During the three months ended March 31, 2005, the Company had not entered into any transactions using derivative financial instruments or derivative commodity instruments nor held any marketable equity securities of publicly traded companies. Accordingly the Company believes its exposure to market interest rate risk and price risk is not material.

Cash generated from operations will not be able to cover the company's intended growth and expansion. The Company has plans in 2005 to expand its broadband coverage by launching new broadband sites in North America and Europe. The Company also plans to open new subsidiaries in the last two quarters of 2005 in Canada, United Kingdom and Australia.

The Company launched an entertainment site and a business training site in North America, in 2004. In 2005, the Company intends to launch more broadband entertainment and business training content sites. In the area of E-commerce, the company plans to launch a new shopping mall for health and wellness products online in the first half of 2005.

The Company has completed its prototype content for 3G (third generations) mobile phones. The Company is working with telecommunication companies and mobile operators on the possibility of launching this new content in the first half of 2005.

The Company had secured an on-line games franchise for six countries in 2004. The Company is in the process of developing on-line games sites which are targeted for launch in the first half of 2005.

The Company is continuing to raise additional equity issues, to fund all business expansions.

Over the last six months starting from October 2004 to March 2005 the Company has already raised a total of $2,620,000 through the private placement of the Company's common stock. Of this amount, $2,020,000, less $390,130 of costs associated with the issuance, was raised in the fourth quarter of 2004 ended December 31, 2004 and $600,000, less $55,375 of costs associated with the issuance, was raised in the first quarter of 2005 ended March 31, 2005.

The Company believes that it can continue to raise more capital funds, through private placements to fund its expansion growth and the success of its fund raising efforts continued resulting in the Company raising $3,150,000 in the month of April.

NEW CONTRACTS

There are two new contracts in the quarter ended March 31, 2005:

- Contract with United Power of Japan signed on March 18, 2005. M2B will launch 8 broadband channels in Japan that will be available on television sets in Japanese households. The contract has an option for United Power to exercise within 6 months that will give M2B a minimum guarantee of 50,000 subscribers for $1.2 million a year. Thereafter for every subscriber, M2B will be paid $2.50 per subscriber per month.

- Contract with Sapphire Management, a company of Echelon Entertainment, a California company, signed on March 6, 2005 for distribution of DVDs worldwide. This is on a revenue sharing basis.

ITEM 3. Controls and Procedures

Our President and Treasurer/Chief Financial Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting for the Company. The Certifying Officers have designed such disclosure controls and procedures and internal controls and procedures for financial reporting to ensure that material information are made known to them, particularly during the period in which this report was prepared. The Certifying Officers have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls and procedures for financial reporting as of March 31, 2005 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.

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. Unregistered sales of equity securities and use of proceeds

During the quarter ended March 31, 2005, the Company sold 200,000 "restricted" shares of common stock of the Company in a private placement at $3.00 per share to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933. The Company paid $55,375 in consulting fees in connection with such sale. The proceeds of the sale were used for growth and expansion of the business.

The shares of the Company's common stock were issued and sold in reliance upon the exemption provided by Section 4(2) and Section 505 and/or 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:

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: May 17, 2005

By /s/ Colin Binny
President

By /s/ Francis Foong
Chief Financial Officer