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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A-2

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 25, 2004

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

(Address of principal executive offices)

Registrant's telephone number, including area code: (65) 6332 9287

ITEM 8.01. OTHER EVENTS.

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.

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

TABLE OF CONTENTS

Independent Auditors' Report.....	F-1
Balance Sheets.....	F-2
Statements of Income.....	F-3
Statement of Changes in Stockholders' Equity.....	F-4
Statements of Cash Flows.....	F-5
Notes to Financial Statements.....	F-6

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

F-1

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

	ASSETS	2003	

Current assets:			
Cash and cash equivalents		\$ 60,307	\$
Accounts receivable		14,097	
Other receivable		20,554	
Prepaid expenses		33,758	
Deposits		--	

Total current assets		128,716	
Non-current assets:			
Property and equipment, net		18,866	
Product development, net		297,402	
Investment at equity		1,403,493	
Other		2,708	

Total assets		\$ 1,851,185	\$
		=====	

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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 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.

F-4

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

F-5

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

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

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

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

REVENUES

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

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

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.

F-7

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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.

F-8

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

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
	=====	=====

F-9

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

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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M2B WORLD PTE. LTD.
(FORMERLY KNOWN AS M2B.COM PTE LTD)
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

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 (CONSOLIDATED) (UNAUDITED)	DECEMBER 31, 2003
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 88,159	\$ 60,307
Accounts receivable	12,108	14,097
Other receivable	--	20,554
Prepaid expenses	17,390	33,758
Deposits	1,699	--
	-----	-----
Total current assets	119,356	128,716
Non current assets		
Property and equipment, 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
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
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

F-14

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

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

F-15

AMARU, INC. & SUBSIDIARY
STATEMENT OF STOCKHOLDERS' EQUITY

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

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

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

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

F-17

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.

F-18

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.

F-19

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

F-20

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.

F-21

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

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

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

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.)

F-22

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
		=====

F-23

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.

F-24

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

Colin Binny
President