AMARU INC
Form 10-Q/A
August 06, 2010

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

FORM 10-Q/A-1
Amendment no.1 to Form 10-Q
Mark one:
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2009

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to _______

Commission File Number 000-32695

Amaru, Inc.
(Exact name of registrant as specified in its charter.)

Nevada	88-0490089
(State of Incorporation)	(IRS Employer Identification No.)

62 Cecil Street, #06-00 TPI Building, Singapore 049710
(Address of principal executive offices) (Zip Code)

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

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 [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated reporting filer |_| Accelerated filer |_|
Non-accelerated filer|_| Smaller company |X|
(Do not check if a smaller reporting

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.

Yes [ ]   No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock $0.001 par value	159,431,861 shares
(Class)	(Outstanding at April 30, 2009)

AMARU, INC. AND SUBSIDIARIES
2009 Quarterly Report on Form 10-Q/A-1
Table of Contents

AMARU, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2009	DECEMBER 31, 2008
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,056,420	$ 1,484,945
Accounts receivable, net of allowance of $110,918 and $1,055,855 at March 31, 2008 and December 31, 2008 respectively	133,302	134,710
Accounts receivable from sale of IPTV Platform	9,500,000	9,500,000
Equity securities held for trading	170,329	179,620
Other current assets	566,376	230,293
Inventories	642,268	644,153
Total current assets	12,068,695	12,173,721
Non-current assets		
Property and equipment, net	905,430	1,033,506
Film Library, net	18,522,856	18,667,290
Intangible assets, net	2,174,765	2,204,766
Investments - Cost	3,018,749	3,018,749
Total non-current assets	24,621,800	24,924,311
Total assets	$ 36,690,495	$ 37,098,032
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 1,586,061	$ 1,319,897
Others payable	--	5,458
Advances from related parties	--	48,681
Capital lease payable - short term	10,319	10,809
Income taxes payable	5,428	5,428
Total current liabilities	1,601,808	1,390,273
Deferred tax liabilities	--	--
Convertible term loan	2,339,045	2,307,796
Capital lease payable - long term	42,131	46,831
Total non-current liabilities	2,381,176	2,354,627
Total liabilities	3,982,984	3,744,900
Commitments	--	--
Stockholders' equity		
Preferred stock (par value $0.001) 5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	--	--

Common stock (par value $0.001) 200,000,000 shares authorized;154,098,528 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	154,098	154,098
Additional paid-in capital	39,190,666	39,190,666
Accumulated Deficit	(10,273,917)	(9,726,413)
Accumulated other comprehensive income	968,406	968,406
Noncontrolling interest	2,668,258	2,766,375
Total stockholders' equity	32,707,511	33,353,132
Total liabilities and shareholders' equity	$ 36,690,495	$ 37,098,032

See accompanying notes to consolidated financial statements

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

	FOR THE THREE MONTHS ENDED	
	MARCH 31, 2009	MARCH 31, 2008
Revenue:		
Entertainment	$ 16,813	$ 34,993
Digit gaming	--	--
Total revenue	16,813	34,933
Cost of services	(55,053)	(163,045)
Gross loss	(38,240)	(128,052)
Distribution costs	(32,681)	(986,116)
Administrative expenses	(533,705)	(1,038,502)
Total expenses	(566,386)	(2,024,618)
Loss from operations	(604,626)	(2,152,670)
Other (expenses) income		

Interest expenses	(31,771)	(543)
Interest income	67	5,443
Gain on disposal of equipment	--	1,888
Loss on disposal of investment available for sales	--	(397,755)
Net change in fair value of financial assets at Fair value securities for trading	(9,291)	--
Share of loss of associate	--	(9,368)
Loss before income taxes	(645,621)	(2,553,005)
Benefit for income taxes	--	17,000
Net loss	$ (645,621)	$ (2,536,005)
Attributable to:		
Equity holders of the company	(547,504)	(2,352,022)
Noncontrolling interest	(98,117)	(183,983)
Net (loss) income	$ (645,621)	$ (2,536,005)
Net loss per share attributable to Amaru, Inc. - basic and diluted	$ (0.004)	$ (0.016)
Weighted average number of common shares outstanding - basic and diluted	159,431,861	159,431,861

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE IN
FOR THE YEAR ENDED DECEMBER 31, 2008 and the three months ended March 3

	PREFERRED STOCK		COMMON STOCK		
	NUMBER OF SHARES	PAR VALUE ($0.001)	NUMBER OF SHARES	PAR VALUE ($0.001)	ADDITIONAL IN CAPIT
Balance at December 31, 2007	--	--	159,431,861	$ 159,431	$ 42,918,
Net loss	--	--	--	--	
Common stock received in					

Cancellation of exchange for Repayment of investment	--	--	(5,333,333)	(5,333)	(3,728,
Change in fair value of available for-sale-equity securities, net of tax	--	--	--	--	
Comprehensive income	--	--	--	--	
Balance at December 31, 2008	--	--	154,098,528	$ 154,098	$ 39,190,

See accompanying notes to consolidated financial statements

F-4

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2007	$ 12,927	$ 2,210,714	$ 4,619,381	$ 55,571,566
Common stock received in Cancellation of exchange for Repayment of investment	--	--	--	(3,733,333)
Net loss	--	--	(1,853,006)	(17,229,866)
Change in fair value of available for-sale-equity securities, net of tax	--	(1,255,235)	--	(1,255,235)
Comprehensive				

loss	--	--	--	(18,485,101)
Balance at December 31, 2008	$ 12,927	$ 955,479	$ 2,766,375	$ 33,353,132

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INC
FOR THE YEAR ENDED DECEMBER 31, 2008, and the three mon

	PREFERRED STOCK		COMMON STOCK		
	NUMBER OF SHARES	PAR VALUE ($0.001)	NUMBER OF SHARES	PAR VALUE ($0.001)	ADDITIONAL PAI IN CAPITAL
Balance at December 31, 2008	--	--	154,098,528	$ 154,098	$ 39,190,66
Net loss	--	--	--	--	-
Comprehensive income	--	--	--	--	-
Balance at March 31, 2009	--	--	154,098,528	$ 154,098	$ 39,190,666

See accompanying notes to consolidated financial statements

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	NONCONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2008	$ 12,927	$ 955,479	$ 2,766,375	$ 33,353,132
Net loss	--	--	(98,117)	(645,621)
Comprehensive loss	--	--	--	(645,621)
Balance at March 31, 2009	$ 12,927	$ 955,479	$ 2,668,258	$ 32,707,511

See accompanying notes to consolidated financial statements

AMARU, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED	
	March 31, 2009	March 31, 2008
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss including noncontrolling interest	$ (645,621)	$(2,536,005)
Share of loss (profit) of investment	--	9,368
Adjustments to reconcile net income to cash and cash equivalents used or provided by operations:		
Amortization	207,786	298,135
Depreciation	128,076	170,699
Gain on disposal of equipment	--	(1,888)
Loss on disposal of investment available for sales	--	397,755
Deferred taxes	--	(17,000)
Net change in fair value of financial assets at fair value Through profit or loss-held for trading	9,291	--

Changes in operation assets and liabilities		
Accounts receivables	1,408	597,207
Inventories	1,885	8,833
Others current assets	(336,083)	72,444
Accounts payable and accrued expenses	266,164	(507,550)
Other payables	(5,458)	39,997
Net cash used in operating activities	(372,552)	(1,468,005)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	--	--
Proceeds from disposal of equipment	--	2,991
Acquisition of intangible assets	(2,102)	(48,964)
Proceeds from disposal of investment available for sale	--	400,587
Net cash provided by (used in) investing activities	(2,102)	354,614
CASH PROVIDED FROM FINANCING ACTIVITIES		
Advance from related parties	--	11,890
Repayment of related parties	(48,681)	--
Repayments of obligations under finance leases	(5,190)	(2,723)
Net cash provided by (used in) financing activities	(53,871)	9,167
Effect of exchange rate changes on cash and cash equivalents	--	3,025
Cash flows from all activities	(428,525)	(1,101,199)
Cash and cash equivalents at beginning of period	1,484,945	2,322,541
Cash and cash equivalents at end of period	$ 1,056,420	$ 1,221,342

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

1. BASIS OF PRESENTATION AND REORGANIZATION

Amaru, Inc. (the "Company") is in the business of broadband entertainment-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 Company is also in the business of digit gaming (lottery). The

Company has an 18 year license to conduct nation wide lottery in Cambodia. The Company through its subsidiary, M2B Commerce Limited, signed an agreement with Allsports International Ltd, a British Virgin Islands company to operate and conduct digit games in Cambodia and to manage the digit games activities in Cambodia. The digit game lottery operations have been suspended by the government of Cambodia in March, 2009, and it cannot be determined at this time whether the suspension of the digit games lottery is temporary or permanent, see Note 14.

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 and E-Commerce Channels on Broadband, and 3G (Third Generation) devices.

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 and pay per view services 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 e-services, which would provide the Company with multiple streams of revenue. Such revenues would be derived from advertising and branding (channel and program sponsorship); 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; and digit game operations.

1.2 Recent Accounting Standards and Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 on January 1, 2007. The adoption of FIN 48 did not have an impact on the Company's opening retained earnings.

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB issued two Staff Positions that amend SFAS No. 157. The first FASB Staff Position (FSP), No. FAS 157-1, excludes from the scope of SFAS No. 157 accounting pronouncements that address fair value measurements for purposes of lease classification and measurement. The second FSP, No. FAS 157-2, delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 is effective for the Company on January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis for which its effective date is January 1, 2009. The adoption of this statement did not have a material impact on its Consolidated Financial Statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R established principles and requirements for how an acquiring company recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest if the acquired company and the goodwill acquired. SFAS 141R also established disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective for fiscal periods beginning after December 15, 2008. The Company is currently evaluating the impact that SFAS 141R will have on its financial position and results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of Accounting Research Bulletin No. 51 ("SFAS . 160"). SFAS 160 establishes accounting and reporting standards of ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal periods beginning after December 15, 2008. The adoption of SFAS 160 did not have a material impact on the Company's financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities -- an amendment of FASB Statement No. 133". This statement amends SFAS No. 133 by requiring enhanced disclosures about an entity's derivative instruments and hedging activities, but does not change SFAS No. 133's scope or accounting. SFAS No. 161 requires increased qualitative, quantitative and credit-risk disclosures about the entity's derivative instruments and hedging activities. SFAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with earlier adoption permitted. The Company is currently evaluating the impact that SFAS 161 will have on its financial position and results of operations.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Principles of Consolidation

The consolidated financial statements include the financial statements of Amaru, Inc. and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In addition, the Company evaluates its relationships with other entities to identify whether they are variable interest entities as defined by FASB Interpretation No. 46 (R) Consolidation of Variable Interest Entities ("FIN 46R") and to assess whether it is the primary beneficiary of such entities. If the determination is made that the Company is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with FIN 46(R).

2.2 Use of Estimates

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include carrying amount of property and equipment, intangibles, valuation allowances of receivables and inventories. 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.

2.3 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 consolidated statements of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

2.4 Accounts Receivable

Accounts receivable, which generally have 30 to 90 day terms, are recorded at the invoiced amount less an allowance for any uncollectible amounts (if any) and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debts are written off as incurred. The Company does not have any off-balance sheet credit exposure related to its customers.

The Company's primary exposure to credit risk arises through its accounts receivable. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

2.5 Inventories

Inventories are carried at the lower of cost or and net realizable value. Cost is calculated using first-in, first-out ("FIFO") method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories comprised primarily of finished products used in the Company's IPTV service. As at March 31, 2009, the net inventories amount is $642,268 after allowing for $457,400 during the year ended December 31, 2008.

2.6 Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statement of income of the respective period. The estimated useful lives of the assets range from 3 to 5 years.

2.7 FILM LIBRARY

Previously, the Company accounted for its film library under SFAS 142, "Goodwill and other intangible assets." The Company has changed its accounting policy to account for its film library in accordance with

SOP 00-2, "Accounting for Producers and Distributors of Films." This change in accounting policy had no material impact on the Company's financial statements as of March 31, 2009 and December 31, 2008, respectively.

Investment in the Company's film library includes movies, dramas, comedies and documentaries in which the Company has acquired distribution rights from a third party. For acquired films, these capitalized costs consist of minimum guarantee payments to acquire the distribution rights. Costs of acquiring the Company's film libraries are amortized using the individual-film-forecast method in accordance with SOP 00-2, "Accounting for Producers and Distributors of Films," whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the films. Ultimate revenue for acquired films includes estimates over a period not to exceed twenty years following the date of acquisition. Investments in films are stated at the lower of amortized cost or estimated fair value.

The valuation of investment in films is reviewed on a overall basis, when an event or change in circumstances indicates that the fair value of the film library is less than its unamortized cost. The fair value of the film is determined using management's future revenue and cost estimates and a discounted cash flow approach. Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films may be required as a consequence of changes in management's future revenue estimates.

2.8 Intangible Assets

Intangible assets consist of gaming, software license and product development costs. Intangible assets which were purchased for a specific period are stated at cost less accumulated amortization and impairment losses. Such intangible assets are reviewed for impairment in accordance with FASB Statement No. 142, Accounting for Goodwill and Other Intangible Assets. Such intangible assets are amortized over the period of the contract, which is 2 to 18 years.

Included in the gaming license are the rights to a digit games license in Cambodia. The license is for a minimum period of 18 years commencing from June 1, 2005, with an option to extend for a further 5 years or such other period as may be mutually agreed. The license was suspended, see Note 14.

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 as product development costs. The Company projects that these development costs will be useful for up to 5 years before additional significant development needs to be done.

2.9 Investments

The Company classifies its investments in marketable equity and debt securities as "available-for-sale", "held to maturity" or "trading" at the time of purchase in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115").

Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, if any, reported as a component of other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary will result in an impairment, which is charged to earnings.

Investments that are not publicly traded or have resale restrictions greater than one year are accounted for at cost. The Company's cost method investments include companies involved in the broadband and entertainment industry. The Company uses available qualitative and quantitative information to evaluate all cost method investment impairments at least annually. An impairment is booked when there is an other-than-temporary difference between the carrying amount and fair value of the investment that would result in a loss.

2.10 Valuation of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used, other than intangible assets with indefinite lives, when events or circumstances warrant such a review. No impairment losses were recorded for the quarter ended March 31, 2009 and 2008, respectively.

2.11 Fair Value of Financial Instruments

FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The table below sets forth a summary of the fair values of the Company's financial assets and liabilities as of March 31, 2009:

	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities held for trading	$ 170,329	$ 170,329	$ --	$ --
	$ 170,329	$ 170,329	$ --	$ --

The Company's equity securities held for trading are classified within the Level 1 of the fair value hierarchy and are valued using quoted market prices reported on the active market on which the securities are traded.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in net income. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Upon adoption of this Statement, the Company did not elect SFAS No. 159 option for existing financial assets and liabilities and therefore adoption of SFAS No. 159 did not have any impact on its Consolidated Financial Statements.

2.12 Advances from Related Party

Advances from director and related party of $0 and $48,681 at March 31, 2009 and December 31, 2008, respectively, are unsecured, non-interest bearing and payable on demand.

2.13 Leases

The Company is the lessee of equipment under a capital lease expiring in 2014. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for the quarter ended March 31, 2009 and 2008.

On November 1, 2007, the Company sub-leased the office premises of M2B World Inc, a wholly owned subsidiary of the Company in Los Angeles, California as part of its efforts to streamline its operations and reduce operating costs.

2.14 Foreign Currency Translation

Transactions in foreign currencies are measured and recorded in the functional currency, U.S. dollars, using the Company's prevailing month exchange rate. The Company's reporting currency is also in U.S. dollars. At the 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 from foreign currency transactions are reflected in operations.

2.15 Revenues

The Company's primary sources of revenue are from the sales of advertising space on interactive websites owned by the Company; distribution and licensing of content to our partners, broadband consulting services, and gaming revenue from our digit games.

The Company recognizes revenue in accordance with Accounting Standard Codification (ASC) 605-10 Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service or product is performed or delivered and collectability of the resulting receivable is reasonably assured.

Website advertising revenue is recognized on a cost per thousand impressions (CPM) or cost per click (CPC), and flat-fee basis. The Company earns CPM or CPC revenue from the display of graphical advertisements. An impression is delivered when an advertisement appears in pages viewed by users. Revenue from graphical advertisement impressions is recognized based on the actual impressions delivered in the period. Revenue from flat-fee services is based on a customer's period of contractual service and is recognized on a straight-line basis over the term of the contract. Proceeds from subscriptions are deferred and are included in revenue on a pro-rata basis over the term of the subscriptions.

The Company enters into contractual arrangements with customers to license and distribute content; revenue is earned from content licenses, and content syndication, Agreements with these customers are typically for multi-year periods. For each arrangement, revenue is recognized when both parties have signed an agreement, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, the delivery of the service has occurred, and no other significant obligations on the part of the Company remain. Licensing and content syndication revenue is recognized when the license period begins, and the contents are available for exploitation by customer, pursuant to the terms of the license agreement

The Company enters into contractual arrangements with customers on broadband consulting services and on-line turnkey solutions. Revenue is earned over the period in which the services are rendered. For each arrangement, revenue is recognized when a written agreement between both parties exist, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, and fulfillment of the obligations under the agreement has occurred, Revenue from broadband consulting services and on-line turnkey solutions is recognized over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed. It is generally recognized from the date of acceptance and fulfillment of obligations under the sale and purchase agreement.

The Company recognizes digit games revenue in accordance with Accounting Standard Codification (ASC) 924-605-25. Gaming revenues from our digit games are recognized and reported as the net of winnings from the digit games activities collected over the period, that is the difference between gaming wins and losses, not the total amount wagered. Gaming revenue is recognized net of winnings. The digit game operations have been suspended. See note 14.

2.16 Costs of Services

The cost of services pertaining to advertising and sponsorship revenue and 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 is channel design and alteration, and hardware hosting and maintenance costs. The cost of services pertaining to gaming is for managing and operating the operations and gaming centers. All these costs are accounted for in the period its was incurred. The license and operations has been suspended. See Note 14.

FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

2.17 Income Taxes

Deferred income taxes are determined using the liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the statement of income of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

During the year ended December 31, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109, "Accounting for Income Taxes," by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position, If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits. No benefits of the tax position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. With the adoption of FIN 48, companies are required to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle.

Upon adoption of FIN 48 as of January 1, 2007, the Company had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. At December 31, 2007 the amount of gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective income tax rate in future periods after valuation allowances were $0. These amounts consider the guidance in FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48".The Company has not accrued any additional interest or penalties as a result of the adoption of FIN 48.

The Company files income tax returns in the United States federal jurisdiction and certain states in the United States and certain other foreign jurisdictions. With a few exceptions, the Company is no longer subject to U. S. federal, state or foreign income tax examination by tax authorities on income tax returns filed before December 31, 2004. U. S. federal. State and foreign income returns filed for years after December 31, 2004 are considered open tax years as of the date of these consolidated financial statements. No income tax returns are currently under examination by any tax authorities.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

2.18 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.

2.19 Financial Instruments

The carrying amounts for the Company's cash, other current assets, accounts payable, accrued expenses and other liabilities approximate their fair value. Investments that are not publicly traded or have resale restrictions greater than one year are accounted for at cost. Trading securities are held at fair value based upon prices quoted on an exchange.

2.20 Advertising

The cost of advertising is expensed as incurred. For the three months ended March 31, 2009 and 2008, the Company incurred advertising expenses of $13,181 and $32,281 respectively.

3. EQUITY SECURITIES HELD FOR TRADING

	March 31, 2009	December 31, 2008
Quoted equity security, at fair value	$170,329	$179,620

The fair value of quoted security is based on the quoted closing market price on the date of Sale and Purchase agreement. The investment in quoted equity security at fair value includes an unrealized loss of $9,291.

The investments in quoted equity securities comprised of 34,000,000 common shares of PT Agis at the market value of US$ 0.00501 and US$ 0.00528 per share as of March 31, 2009 and December 31, 2008, respectively.

The Company's equity securities held for trading investment is denominated in Indonesian Ruppiah.

4. OTHER CURRENT ASSETS

Other current assets consist of the following:

	MARCH 31, 2009	DECEMBER 31, 2008
Prepayments	$ 58,233	$ 70,108
Deposits	430,175	69,995
Other receivables	77,968	90,190
	$566,376	$230,293

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	MARCH 31, 2009	DECEMBER 31, 2008
Office equipment	$ 1,004,504	$ 1,004,504
Motor vehicle	91,190	91,190
Furniture, fixture and fittings	313,208	313,208
Pony set-top boxes	843,946	843,946
	2,252,848	2,252,848
Accumulated depreciation	(1,347,418)	(1,219,342)
	$ 905,430	$ 1,033,506

Depreciation expense was $128,076 for the three months ended March 31, 2009 and $170,699 for the three months ended March 31, 2008.

6. FILM LIBRARY

Film library consist of the following:

	March 31, 2009	DECEMBER 31, 2008
Acquired Film Library	$23,166,228	$23,164,126
Accumulated Amortization	(4,643,372)	(4,496,836)

Film Library, Net	$18,522,856	$18,667,290

Amortization expense was $146,536 for the three months ended March 31, 2009.

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	MARCH 31, 2009	DECEMBER 31, 2008
FINITE-LIVED INTANGIBLE ASSET		
Gaming license	7,090,000	7,090,000
Product development expenditures	719,220	719,220
Software license	12,649	12,649
	7,821,869	7,821,869
Accumulated amortization	(1,884,327)	(1,854,326)
	5,937,542	5,967,543
Impairment loss	(3,762,777)	(3,762,777)
	$ 2,174,765	$ 2,204,766

Amortization expense was $30,001 for the three months ended March 31, 2009 and $298,135 for the three months ended March 31, 2008.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

8. INVESTMENTS HELD AT COST

Investments held at cost consist of the following unquoted securities:

	MARCH 31, 2009	DECEMBER 31, 2008
Non Current:		
M2B Game World Pte Ltd.	616,136	616,136
Dai Long Co., Ltd.	2,402,613	2,402,613

	$3,018,749	$3,018,749
	==========	==========

The Company's $616,136 investment held at cost relates to its investment in M2B Game World Pte Ltd. Management reviews this investment on a quarterly basis and has noted no impairment for the quarter ended March 31, 2009.

The Company's $2,402,613 investment held at cost relates to its investment in Dai Long Co., Ltd. for the Grand Dragon Resort located in Cambodia. The resort holds a valid casino license and includes a hotel, gaming tables and a duty free shop. This investment is subject to numerous risks, including:

- difficulty enforcing agreements through Cambodia's legal system;
- general economic and political conditions in Cambodia; and
- the Cambodian government may adopt regulation or take other actions that could directly or indirectly harm the equity method investment's business or strategy.

The occurrence of any one of the above risks could harm the resorts business and results of operations. Management reviews this investment on a quarterly basis and has noted no impairment for the quarter ended March 31, 2009.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

9. COMMITMENTS AND CONTINGENCIES

As of the balance sheet date, the Group has the following capital commitments:

	MARCH 31, 2009	DECEMBER 31, 2008
CAPITAL COMMITMENTS:		
Contracted but not provided for		
Film library	$ 108,000	$ 110,171
Set-top boxes	2,074,825	2,074,825
	$2,182,825	$2,184,996
	==========	==========

Capital Leases

The following summarizes the Company's capital lease obligations at March 31, 2009 and 2008, respectively:

	2009	2008
Future minimum lease payments	$ 62,914	$ 69,141
Less: amounts representing interest	(10,464)	(11,500)
Present value of net minimum lease payments	52,450	57,641
Less: current portion	(10,319)	(10,809)
	$ 42,131	$ 46,832

The Company is the lessee of equipment under capital leases expiring in various years through 2014. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for 2008 and 2007. Interest rates on capitalized leases is fixed at 2.85%.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

Operating Leases

The Company leases facilities and equipment under operating leases expiring through 2012. Total rental expense on operating leases for the three months ended March 31, 2009 and 2008 was $37,319 and $75,465, respectively. As of March 31, 2009, the future minimum lease payments are as follows:

For the Quarter Ended March 31,	Operating	Capital
2009	93,103	10,319
2010	4,205	10,319
2011	--	10,319
2012	--	21,493
	97,308	52,450

Legal Proceedings

On September 15, 2008, M2B Commerce Limited filed a lawsuit in the Kingdom of Cambodia for breach of the Performance and Maintenance Agreement dated May 20, 2005 between M2B Commerce Limited and Allsports International Ltd, by Allsports International Ltd seeking damages in the total amount of $794,189 and calling for the termination of the Performance and Maintenance Agreement.

On December 4, 2008, M2B Commerce Limited filed two further lawsuits in the

Kingdom of Cambodia against the owners of Allsports International Ltd, in support of its earlier suit of September 15, 2008 against Allsports International Ltd for breach of the Performance and Maintenance Agreement dated May 20, 2005. One lawsuit was against the four principal officers of Allsports International Ltd for breach of trust of the total amount of $794,189 owing to M2B Commerce Limited. The other lawsuit was to get Allsports International Ltd to transfer the shares of the Lottery Company to M2B Commerce Limited, in lieu of the earlier lawsuit of September 15, 2008 which called for the termination of the Performance and Maintenance Agreement.

On November 7, 2008, M2B World Asia Pacific Pte. Ltd was served a summons in Singapore by M2B Game World Pte. Ltd, a company owned 81% by Auston International Group Limited and 19% by M2B World Pte. Ltd, claiming a sum of US$153,744 (S$235,229) in unpaid invoices in 2006. Following this, M2B World Asia Pacific Pte. Ltd filed a counter claim to strike off this summons on the basis that the invoices were non-existent and that M2B World Asia Pacific Pte. Ltd was not yet incorporated as a company as of the date of the invoices produced by M2B Game World Pte. Ltd.

On February 23, 2009, M2B World Pte Ltd was served a summons in Singapore by Auston International Group Limited, claiming a sum of US$496,765 (S$760,050) to be paid as shortfall in Guaranteed Profit to M2B Game World Pte. Ltd for financial years 2006 and 2007, as part of the agreement for the acquisition of M2B Game World in December 20, 2005 between M2B World Pte Ltd and Auston International Group Limited. On March 20, 2009 in response to this summons, M2B World Pte. Ltd filed a counter-claim against Auston International Group Limited to claim damages amounting to US$1,568,172 and other damages as a result of material breaches on the part of Auston International Group Limited to the agreement of December 20, 2005 for the acquisition of M2B Game World Pte Ltd.

10. INCOME TAXES

The Company files separate tax returns for Singapore and the United States of America.

The Company had available approximately $6,866,030 of unused U.S. net operating loss carry-forwards at March 31, 2009, that may be applied against future taxable income. These net operating loss carry-forwards expire for U.S. income tax purposes beginning in 2026. There is no assurance 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. As of March 31, 2009 the Company maintained a valuation allowance for the U.S. deferred tax asset due to uncertainties as to the amount of the taxable income from U.S. operations that will be realized.

The Company had available approximately $5,712,896 of unused Singapore tax losses and capital allowance carry-forwards at March 31, 2009, that may be applied against future Singapore taxable income indefinitely provided the company satisfies the shareholdings test for carry-forward of tax losses and capital allowances.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

11. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with the related party and the effect of these on the basis determined between the party is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the period, the Group entered into the following transactions with a related party:

	MARCH 31, 2009	MARCH 31, 2008
Marketing	$7,401	$ --

12. SALE OF IPTV PLATFORM

In April 2007 the Company through its subsidiary M2B World Holdings Limited entered into an agreement to sell its IPTV platform to a company in Indonesia (buyer) for $14,500,000. The total amount of the consideration was to be received in shares of the buyer and a 50% share of a newly incorporated entity. The Company has received $1,000,000 in cash and $4,000,000 in publicly-traded securities. The balance outstanding receivable of $9,500,000 is included as "Receivable from sale of IPTV platform" at March 31, 2009 and December 31, 2008, respectively, which comprises of two portions: the first portion of $2 million to be settled fully in publicly-traded shares of the buyer and the other portion of $7,500,000 million will be reinvested in the form of joint venture with the buyer as stated in the terms of the sale agreement.

On December 15, 2008, M2B World Holdings entered into a further agreement with PT Agis to set up a Joint Venture Company to launch WOWtv in Indonesia. The agreement with PT Agis TBK would give M2B World Holdings a 49 percent equity stake in the Joint Venture Company called PT WOW Television Management is in the process of completing this transaction and has determined that the entire amount of $9,500,000 is recoverable and no allowances are necessary. In accordance with the agreement, the JV company is expected to be capitalized and go into operations by July 2009. The Company is currently working out the implementation details with PT WOW Television.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2009 AND 2008

13. PURCHASE OF CBBN HOLDINGS LIMITED

The Company through its wholly owned subsidiary, Tremax International Limited, entered into a sale and purchase agreement dated July 10, 2007 with Domaine Group Limited which has not yet been consummated. Per the agreement the Company through its wholly owned subsidiary, Tremax International Limited would transfer 5,333,333 shares of the Company valued at $3,733,333 which is included as "Prepayment on purchase" at June 30, 2008 and December 31, 2007, respectively, in exchange for Domaine Group Limited transferring its 100% shares in CBBN Holdings Limited, a company incorporated in the British Virgin Islands. The transaction has not been consummated and the agreement had expired and was not extended. The Management of the Company had decided not to proceed with this agreement.

On January 22, 2009, the Company approved the termination and rescission of the Agreement where the seller failed to comply with the terms of the Agreement and did not deliver to the Company or Purchaser the consideration for the issuance of the Amaru Shares. The Company further approved the cancellation of the Amaru Shares.

14. IMPAIRMENT OF DIGIT GAMES LICENSE

On March 25, 2009, the Company was officially notified that the digit games were suspended by the Cambodia Government as part of the suspension of all lotteries in Cambodia. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing the gaming business by the order of its Ministry of Economy and Finance. Due to the lack of access to the digit game operations, the digit games lottery operations resulting from the holding of the digit games lottery license were impaired as of December 31, 2008, and no revenues were received as of 31 March, 2009 since the Company's recognition criteria related to the associated revenues were not met.

15. LOAN AND BORROWINGS

	MARCH 31, 2009	MARCH 31, 2008
Non-current		
Convertible loan	$ 2,500,000	--
Less: Future interest charges	($ 160,954)	--
	$ 2,339,046	--

Term loans held by the Company at balance sheet date are as follows:

(a) $2,500,000 represents a two years convertible loan drawn down by a subsidiary company. It bears interest at a fixed rate of 5.0% per annum. The loan allows the borrower the option to convert the loan into shares of the subsidiary company at the issue price of $0.942 per share at the end of the two years period. The loan commenced in July 2008 and will mature in June 2010.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS 0F 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

The Company is in the business of broadband entertainment-on-demand, streaming via computers, television sets, and 3G (Third Generation) devices and the provision of broadband services. Its business includes channel and program sponsorship (advertising and branding); online subscriptions, channel/portal development (digital programming services); content aggregation and syndication, broadband consulting services, broadband hosting and streaming services and E-commerce.

The Company is also in the business of digit gaming (lottery). The Company has an 18 year license to conduct nation wide lottery in Cambodia. The Company through its subsidiary, M2B Commerce Limited, signed an agreement with Allsports Limited, a British Virgin Islands company to operate and conduct digit games in Cambodia and to manage the digit games activities in Cambodia. On March 25, 2009, the Company was notified that the digit games were suspended by the Cambodia Government as part of the suspension of all lotteries in Cambodia. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing the gaming business by the order of its Ministry of Economy and Finance.

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

OVERVIEW

The business focus of the Company is Entertainment-on-Demand and E-Commerce Channels on Broadband, and 3G (Third Generation) devices.

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 focuses on e-services, which would provide the Company with multiple streams of revenue. Such revenues would be derived from advertising and branding (channel and program sponsorship); 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; and digit game operations.

In fiscal 2008, the business was reorganized under the following entities to spearhead the expansion of the Company's business and focus on specific growth areas and territories.

M2B WORLD PTE. LTD.

M2B World Pte. Ltd. was incorporated on April 3, 2003. This subsidiary used to oversee the management and operation of the Company as a whole and oversees the Asian business. With effect from September 1, 2006, the Company's Asian business was overseen by another subsidiary, M2B World Asia Pacific Pte. Ltd.

The Company took an investment on May 16, 2005 for a 9.1% equity position with a company called Activ Lifestyle Pte Ltd in Singapore to help facilitate Amaru Inc.'s diversification into the health and wellness market.On September 27, 2005, the Company raised its investment in Activ Lifestyle Pte Ltd to 12.6%. This was further increased to 17.4% as of December 31, 2006.

In December 2005, M2B World Pte. Ltd. sold 81% equity interests of its wholly-owned subsidiary, M2B Game World Pte. Ltd. to Auston International Group Ltd (Auston), a public listed company in Singapore, in exchange for 27% equity interest in Auston. As of December 31, 2008, the Company disposed all of its common shares in Auston. As of the date of this report, the Company holds no shares in Auston.

M2B WORLD, INC.

M2B World, Inc., a California corporation, was incorporated on January 24, 2005. This subsidiary handles and oversees the Company's business in the U.S. The Company has leased a new office on Sunset Boulevard, West Hollywood that came into effect in August 2006, which offices are currently being subleased (see below). In October 2007, M2B World Inc reduced its staffing and in November 2007 sub-leased its premise as part of the Company's cost reduction measures.

On May 27, 2005, M2B World, Inc. entered into an agreement with Indie Vision Films, Inc., a California corporation, to purchase 20% of the beneficial ownership of Indie Vision Films, Inc. The investment will allow M2B World, Inc. to access the library of programs of Indie Vision Films, Inc. The Company is currently into negotiations with Indie Vision Films, Inc to convert its investment into content rights, thereby giving up its 20% share of beneficial ownership in lieu of library rights that the Company could exploit commercially for international use. As of the date of this report, the Company had received the list of content titles from Indie Vision Films, Inc for evaluation and selection in order to convert its investment into content rights.

On November 1, 2007, the Company sub-leased the office premises of M2B World Inc, a wholly owned subsidiary of the Company in Los Angeles, California as part of its efforts to streamline its operations and reduce operating costs. The staffing of M2B World Inc was also reduced from 9 staff to 1 staff as of October 31, 2007, and remains as 1 staff as of the date of this report. The company has transferred its server farm to the Singapore server farm to, optimize bandwidth and support cost.

M2B WORLD ASIA PACIFIC PTE. LTD.

M2B World Asia Pacific Pte Ltd was incorporated in the Republic of Singapore on 1 August 2006 for the purposes of handling all the business operations of the Company in the Asia Pacific region. This company had taken over the Asian business operations as well as the assets and liabilities of M2B World Pte. Ltd. with effect from September 1, 2006.

On January 3, 2007, M2B World Asia Pacific Pte Ltd, issued 7,778,014 shares of common stock through a private placement at a price of $0.77 a share for a total amount of $6,000,000. This had effectively reduced the Company's effective equity interest in M2B World Asia Pacific Pte. Ltd from 100% to 81.6%.

On July 8, 2008, M2B World Asia Pacific Pte Ltd signed a two year convertible loan agreement with a third party to raise $2,500,000 in funding. The loan allows the borrower to convert the loan into shares of the Company at the issue price of $0.942 per share at the end of the two years period. The loan bears an interest rate of 5.0% per annum, and will mature in June 2010.

M2B COMMERCE LIMITED

M2B Commerce Limited, a company incorporated in the British Virgin Islands on July 25, 2002, focuses on e-commerce and digit gaming, with a branch in Cambodia that oversees the digit gaming operation in Cambodia.

The Company has an agreement with Allsports Limited, a British Virgin Islands company to operate, administer, and manage the lottery digit game activities in Cambodia, as an extension of the Company's entertainment operations. On March 25, 2009, the Company was notified that the digit game were suspended by the

Cambodia Government as part of the suspension of all lotteries in Cambodia. It cannot be determined at this time whether the suspension of the digit game is temporary or permanent, though the Government of Cambodia is currently closing the gaming business by the order of its Ministry of Economy and Finance.

The company had entered into an investment agreement on January 12, 2006, with Khoo Kim Leng, the beneficial owner of Dai Long Co., Ltd, which holds a valid casino license and freehold land and intends to develop and operate an integrated resort in the Kingdom of Cambodia. The resort will feature a hotel, guest house, shopping arcade, entertainment and amusement center and some gaming tables. As of December 31, 2006, the company had invested $2,402,613 in relation to this investment. The resort was completed and is in operation subsequent to the balance sheet date.

M2B ENTERTAINMENT, INC.

M2B Entertainment, Inc. was incorporated on October 27, 2005. This subsidiary will oversee the Company's Canadian market. As of June 30, 2008, this subsidiary is dormant.

M2B AUSTRALIA PTY LTD

M2B Australia Pty Ltd was incorporated on June 15, 2005. This subsidiary handles and oversees the Company's business in Australia. As of June 30, 2008 this subsidiary is dormant.

M2B WORLD TRAVEL SINGAPORE PTE. LTD.

M2B World Travel Singapore Pte Ltd was incorporated in the Republic of Singapore on March 7, 2006. This subsidiary of M2B World Travel Limited launches a global online travel platform which offers global e-travel services.

The Company has completed the development of an online travel engine and travel web applications for integration with suppliers of travel information and travel services; and incorporating travel features with current media operations under the M2B brand name.

M2B World Travel Limited signed a global agreement with Amadeus Global Travel Distribution, SA, a Spanish corporation. Through the agreement, the company will be able to offer direct access to the extensive range of travel options available through the Amadeus network to viewers around the world.

The company has entered into an agreement with Elleipsis, Inc to host the travel site and the travel software platform in the US with effect from June 30, 2008, The Company plans to have the travel service and the site operational before the end of the year. The launch and operations of the travel service is subject to funding considerations, and there can be no guarantee that the service can be operational as planned.

AMARU HOLDINGS LIMITED AND M2B WORLD HOLDINGS LIMITED

Amaru Holdings Limited and M2B World Holdings Limited are incorporated in the British Virgin Islands on February 21, 2005 and June 15, 2006, respectively. Amaru Holdings Limited focuses on content syndication and distribution in areas other than Asia Pacific region. M2B World Holdings Limited focuses on content syndication and distribution in Asia Pacific region and is a subsidiary of M2B

World Asia Pacific Pte. Ltd.

RESULTS OF OPERATIONS

REVENUE

Financial Statement

- Revenue for the three months ended March 31, 2009 was $16,813 compared with $34,993 for the same period in 2008.

- The Company's cash balance was $1,056,420 at March 31, 2009 compared with $1,484,945 at December 31, 2008.

Revenue

Revenue from entertainment for the three months ended March 31, 2009 at $16,813 was lower than revenue of $34,993 for the three months ended March 31, 2008 by $18,180 (52%). It was insignificant mainly due to no new advertising or content syndication contracts being secured.

Cost of Services

Cost of services for the three months ended March 31, 2009 was $55,053 which decreased by $107,992 (66%) from $163,045 for the three months ended March 31, 2008.

As a proportion of revenue the cost of the services for the three months ended March 31, 2009 was 327% (cost of sales at $55,053 and revenue of $ 16,813) as compared to 466% (cost of sales at $163,045 and revenue of $34,993) for the three months ended March 31, 2008.

The decrease in cost of services of $107,992 (66%) was significant and was attributed to cost reduction measures to reduce operating costs.

DISTRIBUTION EXPENSES

Distribution expenses for the three months ended March 31, 2009 at $32,681 were lower by $953,435 (97%) as compared to the amount of $986,116 incurred for the three months ended March 31, 2008.

The lower distribution expenses were attributed to the write off of digit games working capital amounting to $861,186 for the three month ended March 31, 2008, and decreased spending on marketing and promoting the WOWtv and M2Btv services which decreased by $19,100 (59%) from $32,281 for the three months ended March 31, 2008 to $13,181 for the three months ended March 31, 2009.

GENERAL AND ADMINISTRATIVE EXPENSES

Administration expenses for the three months ended March 31, 2009 at $533,705 were lowered by $504,797 (49 %) as compared to the amount of $1,038,502 incurred for the three months ended March 31, 2008.

The decrease in administrative expenses for the period ended March 31, 2009 was attributed mainly to the decrease in:

- o Depreciation and amortization. Equipment depreciation, film library amortization, convertible term loan amortization and license amortization had decreased by $132,972 (28 %), from $468,834 for the three months ended March 31, 2008 to $ 335,862 for the period ended March 31, 2009. The decrease was mainly due to most of the intangible assets and equipment being fully amortized and allowed for during the year ended December 31, 2008.

- o Legal and professional fees. Fees had decreased by $72,785 (54%), from $134,219 for the three months ended March 31, 2008 to $61,434 for the three months ended March 31, 2009. The decrease was mainly due as a result of costs reduction measures to reduce operating costs

- o Staff costs. Staff costs had decreased by $155,838 (57%), from $270,396 for the three months ended March 31, 2008 to $114,558 for the three months ended March 31, 2009. The decrease was mainly due as a result of costs reduction measures to reduce operating costs

(LOSS) INCOME FROM OPERATIONS

The Company incurred a loss from operations of $604,626 for the three months ended March 31, 2009 as compared to the loss from operations of $2,152,670 for the three months ended March 31, 2008 due mainly due as a result of costs reduction measures to reduce operating costs

NET LOSS

Net loss for the three months ended March 31, 2009, was $645,621 which decreased by $1,890,384 (74%) from net loss of $2,536,005 for the three months ended March 31, 2008. The decrease was mainly due as a result of costs reduction measures to reduce operating costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at $1,056,420 at March 31, 2009 as compared to cash of $1,484,945 at December 31, 2008.

The Company does not finance its operations through short-term bank credit nor long-term bank loans 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, 2009, the Company had not entered into any transactions using derivative financial instruments or derivative commodity instruments. Accordingly the Company believes its exposure to market interest rate 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 2009 to expand its broadband coverage by launching new broadband sites in Asia Pacific region and Australia. No assurances can be made that such plans will be carried out in a timely manner.

The Company intends to raise additional funds, to fund its business expansion; however no assurances can be made that the Company will raise sufficient funds as planned.

NEW CONTRACTS

- On March 31, 2009, the Company signed an agreement with Beijing Baidu Network Science and Technology Co Ltd ("Baidu") to launch the WOWtv platform in China. The agreement was a strategic partnership with Baidu to provide content services to Baidu.com users.

- On April 17,2009, the Company signed a strategic cooperation agreement with LTDnetwork Inc. who owns the brand name and music site called QTRAX. QTRAX is the world's first free and legal peer-to-peer music service. Both parties agreed to look into areas to promote each other's site to increase internet traffic and to exploit each other's content.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal while concurrently maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we may invest in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the current value of the principal amount of our investment will decline. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including commercial paper, money market funds, high-grade corporate bonds, government and non- government debt securities and certificates of deposit. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. The Company held $3,189,078 and $3,198,369 in marketable securities as of March 31, 2009 and December 31, 2008 respectively.

The Company does not believe that it faces material market risk with respect to its cash and cash equivalents which totaled $1,056,420 and $1,484,945 at March 31, 2009 and December 31, 2008, respectively.

The Company has no long-term obligations or hedging activities.

ABILITY TO EXPAND CUSTOMER BASE

The Company's future operating results depend on our ability to expand our customer base for broadband services and e-commerce portals. An increase in total revenue depends on our ability to increase the number of broadband and e-commerce portals, in the US, Europe and Asia. The degree of success of this depends on

- our efforts to establish independent broadband sites in countries where conditions are suitable.

- our ability to expand our offerings of content in entertainment and education, to include more niche channels and offerings.

- our ability to provide content beyond just personal computers but to encompass television, wireless application devices and 3G hand phones.

ABILITY TO ACQUIRE NEW MEDIA CONTENTS

The continued ability of the Company to acquire rights to new media contents, at competitive rates, is crucial to grow and sustain the Company's business.

AVAILABILITY OF TECHNOLOGICALLY RELIABLE NEW GENERATION OF BROADBAND DEVICES

The growth of demand for broadband services is dependent on the wide availability of technologically reliable new generation of broadband devices, at affordable prices to prospective customers of broadband services. The early and widespread availability and market adoption of new generation broadband devices, will significantly impact demand for broadband services and the growth of the Company's business.

CAPITAL INVESTMENT IN BROADBAND INFRASTRUCTURE BY GOVERNMENT AND TELCOS

The growth of demand for broadband services is dependent on the capital investment in broadband infrastructure by governments and Telcos. A significant source of demand for the Company's broadband services could be from homes and enterprises with access to high-speed broadband connections. The ability of countries to invest in public broadband infrastructure to offer public accessibility is subject to countries' economic health. The Company's prospects for business growth in Asia especially would be impacted by overall economic conditions in the territories that we seek to expand into.

COMPETITION FROM BROADBAND CABLE AND TV NETWORKS OPERATORS

The competition of services provided by broadband cable network operators and TV networks. As traditional TV networks and cable TV operators provide alternate supply of entertainment and on-demand broadband services, they are in competition with the Company, for market share. The Company, nevertheless, will continue to leverage on its advantage of ownership rights to its own portfolio of media content and its ability to provide broadband services over both the cable and wireless networks, at competitive rates.

The Company's business is reliant on complex information technology systemsf and networks. Any significant system or network disruption could have a material adverse impact on our operations and operating results. The Company's nature of business is highly dependent on the efficient and uninterrupted operation of complex information technology systems networks, may they, either be that of ours, or our Telco/ ISP partners.

All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to computer viruses, security breach, energy blackouts, natural disasters and terrorism, war and telecommunication failures.

System or network disruptions may arise if new systems or upgrades are defective or are not installed properly. The Company has implemented various measures to manage our risks related to system and network disruptions, but a system failure or security breach could negatively impact our operations and financial results.

LAW AND REGULATIONS GOVERNING INTERNET

Increased regulation of the Internet or differing application of existing laws might slow the growth of the use of the Internet and online services, which could decrease demand for our services. The added complexity of the law may lead to higher compliance costs resulting in higher costs of doing business.

UNAUTHORIZED USE OF PROPRIETARY RIGHTS

Our copyrights, patents, trademarks, including our rights to certain domain names are very important to M2B's brand and success. While we make every effort to protect and stop unauthorized use of our proprietary rights, it may still be possible for third parties to obtain and use the intellectual property without authorization. The validity, enforceability and scope of protection of intellectual property in Internet-related industries remain uncertain and still evolving. Litigation may be necessary in future to enforce these intellectual property rights. This will result in substantial costs and diversion of the Company's resources and could disrupt its business, as well as have a material adverse effect on its business.

LAW AND REGULATIONS GOVERNING BUSINESS

As the Company continues to expand its business internationally across different geographical locations there are risks inherent including:

1) Trade barriers and changes in trade regulations
2) Local labor laws and regulations
3) Currency exchange rate fluctuations
4) Political, social or economic unrest
5) Potential adverse tax regulation
6) Changes in governmental regulations

OUTBREAK OF N1H1 VIRUS FLU PANDEMIC OR SIMILAR PUBLIC HEALTH DEVELOPMENTS

Any future outbreak of the N1H1 flu pandemic or similar adverse public health developments may have a material adverse effect on the Company's business operations, financial condition and results of operations.

ITEM 4: CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

A system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended [the "Exchange Act"]) are controls and other procedures that are designed to provide reasonable assurance that the information that the Company is required to disclose in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Moreover, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

Notwithstanding the issues described below, the current management has concluded that the consolidated financial statements for the periods covered by and included in the Quarterly Report on Form 10-Q for the period ended March 31, 2009 are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States for each of the periods presented herein.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States of America generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our consolidated financial statements.

In connection with the preparation of this Quarterly Report on Form 10Q, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), as supplemented by the COSO publication Internal Control over Financial Reporting - Guidance for Smaller Public Companies. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of March 31, 2009, based on these criteria. Management is aware that there is a lack of segregation of duties at the Company due to the fact that there are only four people dealing with financial and accounting matters. However, at this time, management has decided that considering the experience and abilities of the employees involved and the low quantity of transactions processed, the risks associated with such lack of segregation are low and the potential benefits of adding employees to clearly segregate duties do not justify the substantial expenses associated with such increases. Management will periodically reevaluate this situation.

Notwithstanding the above regarding the lack of segregation of duties, management, including our Chief Executive Officer and Chief Financial Officer, believes that the consolidated financial statements included in this annual report present fairly, in all material respects, our financial condition, results of operations and cash flows for the periods presented. This annual report does not include an attestation report of our registered independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by our registered independent auditors pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

There were no changes in Internal Control Over Financial Reporting during the quarter ended March 31, 2009, there were no changes in our internal controls that have materially affected or are reasonably likely to have materially affected our internal control over financial reporting. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected.

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) has concluded, based on their evaluation as of March 31, 2009, that the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated, recorded, processed, summarized and reported to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On September 15, 2008, M2B Commerce Limited filed a lawsuit in the Kingdom of Cambodia for breach of the Performance and Maintenance Agreement dated May 20, 2005 between M2B Commerce Limited and Allsports International Ltd, by Allsports International Ltd seeking damages in the total amount of $794,189 and calling for the termination of the Performance and Maintenance Agreement.

On December 4, 2008, M2B Commerce Limited filed two further lawsuits in the Kingdom of Cambodia against the owners of Allsports International Ltd, in support of its earlier suit of September 15, 2008 against Allsports International Ltd for breach of the Performance and Maintenance Agreement dated May 20, 2005. One lawsuit was against the four principal officers of Allsports International Ltd for breach of trust of the total amount of $794,189 owing to M2B Commerce Limited. The other lawsuit was to get Allsports International Ltd to transfer the shares of the Lottery Company to M2B Commerce Limited, in lieu of the earlier lawsuit of September 15, 2008 which called for the termination of the Performance and Maintenance Agreement.

On November 7, 2008, M2B World Asia Pacific Pte. Ltd was served a summons in Singapore by M2B Game World Pte. Ltd, a company owned 81% by Auston International Group Limited and 19% by M2B World Pte. Ltd, claiming a sum of US$153,744 (S$235,229) in unpaid invoices in 2006. Following this, M2B World Asia Pacific Pte. Ltd filed a counter claim to strike off this summons on the basis that the invoices were non-existent and that M2B World Asia Pacific Pte. Ltd was not yet incorporated as a company as of the date of the invoices produced by M2B Game World Pte. Ltd.

On February 23, 2009, M2B World Pte Ltd was served a summons in Singapore by Auston International Group Limited, claiming a sum of US$496,765 (S$760,050) to be paid as shortfall in Guaranteed Profit to M2B Game World Pte. Ltd for financial years 2006 and 2007, as part of the agreement for the acquisition of M2B Game World in December 20, 2005 between M2B World Pte Ltd and Auston International Group Limited. On March 20, 2009 in response to this summons, M2B World Pte. Ltd filed a counter-claim against Auston International Group Limited to claim damages amounting to US$1,568,172 and other damages as a result of material breaches on the part of Auston International Group Limited to the agreement of December 20, 2005 for the acquisition of M2B Game World Pte Ltd.

ITEM 1A: RISK FACTORS REPLACE THE RISK FACTORS WITH THOSE FROM THE AMENDED 10-Q SINCE WE REVISED THEM

An investment in the Company's common stock involves a high degree of risk. One should carefully consider the following risk factors in evaluating an investment in the Company's common stock. If any of the following risks actually occurs, the Company's business, financial condition, results of operations or cash flow could be materially and adversely affected. In such case, the trading price of the Company's common stock could decline, and one could lose all or part of one's investment. One should also refer to the other information set forth in this report, including the Company's consolidated financial statements and the related notes.

THE COMPANY CONTINUES TO USE SIGNIFICANT AMOUNTS OF CASH FOR ITS BUSINESS

OPERATIONS, WHICH COULD RESULT IN US HAVING INSUFFICIENT CASH TO FUND THE COMPANY'S OPERATIONS AND EXPENSES UNDER OUR CURRENT BUSINESS PLAN. THE COMPANY IS ALSO HOLDING A CONSIDERABLE AMOUNT OF QUOTED EQUITY SECURITIES THAT IS AVAILABLE-FOR-SALE OR HELD FOR TRADING.

The Company's liquidity and capital resources remain limited. There can be no assurance that the Company's liquidity or capital resource position would allow us to continue to pursue its current business strategy. The Company's quoted equity securities held as assets are dependent on the market value. Any fluctuations or downturn in the securities market could adversely affect the value of these equity securities held. As a result, without achieving growth in its business along the lines it has projected, it would have to alter its business plan or further augment its cash flow position through cost reduction measures, sales of assets, additional financings or a combination of these actions. One or more of these actions would likely substantially diminish the value of its common stock.

THE MARKET MAY NOT BROADLY ACCEPT THE COMPANY'S BROADBAND WEBSITES AND SERVICES, WHICH WOULD PREVENT THE COMPANY FROM OPERATING PROFITABLY.

The Company must be able to achieve broad market acceptance for its Broadband websites and services, at a price that provides an acceptable rate of return relative to the Company-wide costs in order to operate profitably. There is no assurance that the market will develop sufficiently to enable the Company to operate its Broadband business profitably. Furthermore, there is no assurance that any of the Company's services will become generally accepted, nor is there any assurance that enough paying users and advertisers will ultimately be obtained to enable us to operate these business profitably.

BROADBAND USERS MAY FAIL TO ADOPT THE COMPANY'S BROADBAND SERVICES.

The Company's Broadband services are targeted to the growing market of Broadband users worldwide to deliver content and E-commerce in an efficient, economical manner over the Broadband networks. The challenge is to make the Company's business attractive to consumers, and ultimately, profitable. To do so has required, and will require, the Company to invest significant amounts of cash and other resources. There is no assurance that enough paying users and advertisers will ultimately be obtained to enable the Company to operate the business profitably.

FAILURE TO SIGNIFICANTLY INCREASE THE COMPANY'S USERS AND ADVERTISERS MAY RESULT IN FAILURE TO ACHIEVE CRITICAL MASS AND REVENUE TO BUILD A SUCCESSFUL BUSINESS.

The Company incurs significant up-front costs in connection with the acquisition of content, and bandwidth and network charges. The plan is to obtain recurring revenues in the form of subscription and advertising fees to use the Broadband services, either paid by the users or advertisers.

There is no assurance as to whether the Company will be able to maintain, or whether and how quickly the Company will be able to increase its user base, or whether the Company will be able to generate recurring subscription and advertising fees to such a level that would enable this line of business to continue to operate profitably. If the Company is not successful in these endeavors, the Company could be required to revise its business model, exit or reduce the scale of the business, or raise additional capital.

COMPETITION IN THE BROADBAND BUSINESS IS EXPECTED TO INCREASE, WHICH COULD CAUSE THE BUSINESS TO FAIL.

The Company's Broadband services are targeted to the end user market. As the Broadband penetration rates increase globally, an increasing number of well-funded competitors have entered the market. Companies that compete with the

Company's business include telecommunications, cable, content management and network delivery companies.

The Company may face increased competition as these competitors partner with others or develop new Broadband websites and service offerings to expand the functionality that they can offer to their customers. These competitors may, over time, develop new technologies and acquire content that are perceived as being more secure, effective or cost efficient than the Company. These competitors could successfully garner a significant share of the market, to the exclusion of the Company. Furthermore, increased competition could result in pricing pressures, reduced margins, or the failure of the business to achieve or maintain market acceptance, any one of which could harm the business.

THE INABILITY TO SUCCESSFULLY EXECUTE TIMELY DEVELOPMENT AND INTRODUCTION OF NEW AND RELATED SERVICES AND TO IMPLEMENT TECHNOLOGICAL CHANGES COULD HARM THE BUSINESS.

The evolving nature of the Broadband business requires the Company to continually develop and introduce new and related services and to improve the performance, features, and reliability of the existing services, particularly in response to competitive offerings.

The Company has under development new features and services for its businesses. The Company may also introduce new services. The success of new or enhanced features and services depends on several factors - primarily market acceptance. The Company may not succeed in developing and marketing new or enhanced features and services that respond to competitive and technological developments and changing customer needs. This could harm the business.

CAPACITY LIMITS ON THE COMPANY'S TECHNOLOGY AND NETWORK HARDWARE AND SOFTWARE MAY BE DIFFICULT TO PROJECT, AND THE COMPANY MAY NOT BE ABLE TO EXPAND AND/OR UPGRADE ITS SYSTEMS TO MEET INCREASED USE, WHICH WOULD RESULT IN REDUCED REVENUES.

While the Company has ample through-put capacity to handle its customers' requirements for the medium term, at some point it may be required to materially expand and/or upgrade its technology and network hardware and software. The Company may not be able to accurately project the rate of increase in usage of its network. In addition, it may not be able to expand and/or upgrade its systems and network hardware and software capabilities in a timely manner to accommodate increased traffic on its network. If the Company does not appropriately expand and/or upgrade our systems and network hardware and software in a timely fashion, it may lose customers and revenues.

INTERRUPTIONS TO THE DATA CENTERS AND BROADBAND NETWORKS COULD DISRUPT BUSINESS, AND NEGATIVELY IMPACT CUSTOMER DEMAND FOR THE COMPANY.

The Company's business depends on the uninterrupted operation at the data centers and the broadband networks run by the various service providers. The data centers may suffer for loss, damage, or interruption caused by fire, power loss, telecommunications failure, or other events beyond the Company. Any damage or failure that causes interruptions in the Company's operations could materially harm business, financial conditions, and results of operations.

In addition, the Company's services depend on the efficient operation of the Internet connections between customers and the data centers. The Company depends on Internet service providers efficiently operating these connections. These providers have experienced periodic operational problems or outages in the past. Any of these problems or outages could adversely affect customer satisfaction and customers could be reluctant to use our Internet related services.

THE COMPANY MAY NOT BE ABLE TO ACQUIRE NEW CONTENT, OR MAY HAVE TO DEFEND ITS RIGHTS IN INTELLECTUAL PROPERTY OF THE CONTENT THAT IS USED FOR ITS SERVICES WHICH COULD BE DISRUPTIVE AND EXPENSIVE TO ITS BUSINESS.

The Company may not be able to acquire new content, or may have to defend its intellectual property rights or defend against claims that it is infringing the rights of others, where its content rights are concerned. Intellectual property litigation and controversies are disruptive and expensive. Infringement claims could require us to develop non-infringing services or enter onto royalty or licensing arrangements. Royalty or licensing arrangements, if required, may not be obtainable on terms acceptable to the Company. The business could be significantly harmed if the Company is not able to develop or license new content. Furthermore, it is possible that others may license substantially equivalent content, thus enabling them to effectively compete against us.

THE COMPANY DEPENDS ON KEY PERSONNEL.

The Company depends on the performance of its senior management team. Its success depends on its ability to attract, retain, and motivate these individuals. There are no binding agreements with any of its employees that prevent them from leaving the Company at any time. There is competition for these people. The loss of the services of any of the key employees or failure to attract, retain, and motivate key employees could harm the business.

THE COMPANY RELIES ON THIRD PARTIES.

If critical services and products that the Company sources from third parties, such as content and network services were to no longer be made available to the Company or at a considerably higher price than it currently pays for them, and suitable alternatives could not be found, the business could be harmed.

THE COMPANY COULD BE AFFECTED BY GOVERNMENT REGULATION.

The list of countries to which our solutions and services could not be exported could be revised in the future. Furthermore, some countries may in future impose restrictions on streaming of broadband contents and related services. Failure to obtain the required governmental approvals would preclude the sale or use of services in international markets and therefore, harm the Company's ability to grow sales through expansion into international markets. While regulations in almost all countries in which our business currently operates generally permit the broadband services, such regulations in future may not be as favorable and may impede our ability to develop business.

THE COMPANY COULD BE AFFECTED BY PIRACY IN ASIA.

The Company is in the process of expanding its services globally, and in particular is entering specific countries in Asia with customized country sites. These country sites are designated to suit viewership patterns and styles in the countries they are launched in, and make use of the Company's content and intellectual property rights to the content. The piracy of content is a significant problem in many Asian countries, and it is not uncommon to see movies and television dramas appearing on illegal internet sites, and sold as pirated DVDs and VCDs. The extent of this piracy of content in the specific countries that the Company is launching its sites will adversely affect to a certain degree the amount of advertising and subscription revenues that the Company intends to earn.

THE COMPANY COULD BE AFFECTED BY THE GLOBAL ECONOMIC DOWNTURN.

The global economy is undergoing a massive downturn in 2009, which commenced in the second half of 2008. Many countries are faced with negative growth rates. Where the media industry is concerned, major corporations have began to reduce their advertising expenditures or even to cut back substantially all advertising and promotional expenditures towards the later half of 2008. The Company is heavily reliant on advertising and syndication revenues and expects to be significantly affected in 2008 and 2009 by the downsizing in advertising spent, especially in countries where the WOWtv service is expected to roll out.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5: OTHER INFORMATION

None

ITEM 6: EXHIBITS:

Exhibit 31.1	CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
Exhibit 31.2	CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
Exhibit 32.1	CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT
Exhibit 32.2	CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

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.

Amaru, Inc.

(Registrant)

August 6, 2010	/s/ Leong Hin Chua
Date	President, Chief Executive Officer and Chief Financial Officer