AMARU INC
Form 10QSB/A
December 28, 2006

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

FORM 10-QSB/A

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2006

( ) Transition report pursuant of Section 13 or 15(d) of the Securities Exchange Act of 1939 for the transition period ____ to______

COMMISSION FILE NUMBER 000-32695

AMARU, INC.
(Exact name of registrant as specified in its charter)

Nevada	88-0490089
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

112 Middle Road, #08-01 Midland House, Singapore 188970 (011)(65) 6332 9287

(Address of Principal Executive Offices, including Registrant's zip code and telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports,), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [_] No [X]

The number of shares of the registrant's common stock as of April 17, 2006:
34,419,590 shares.

The only amendment to this report is being made on the cover page by the statement referred to above and marked as a revision.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

TABLE OF CONTENTS

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

	March 31, 2006	DECEMB 20
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,195,642	$ 4,
Accounts receivable	986,055	
Other receivable	71,323	
Deposit for an investment	1,052,613	
Other current assets	346,733	
Total current assets	7,652,366	5,
Non current assets		
Property and equipment, net	8,289,952	5,
Product development, net	43,572	
Investment at cost	571,236	
Investments available for sale	2,147,580	2,
License, net	6,899,532	6,
Total non current assets	17,951,872	14,
Total assets	$ 25,604,238	$ 20,
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 737,230	$
Deferred tax liability	82,715	
Advances from related parties	--	
Total current liabilities	819,945	
Commitments		
Shareholders' equity		
Preferred stock (par value $0.001) 5,000,000 shares authorized: 0 shares issued and outstanding at March 31, 2006 and December 31, 2005	--	
Common stock (par value $0.001) 200,000,000 shares authorized; 34,419,590 and 31,397,780 shares issued and outstanding at March 31, 2006 and December 31, 2005 respectively	34,420	
Paid in capital	23,602,311	14,
Subscribed common stock, 0 and 1,418,960 shares at March 31, 2006 and December 31, 2005 respectively	--	4,
Retained earnings	1,134,635	
Comprehensive gain on currency translation	12,927	
Total shareholders' equity	24,784,293	19,

Total liabilities and shareholders' equity	$ 25,604,238	$ 20,

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

F-2

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

	FOR THE THREE MONTHS ENDED	
	March 31, 2006	March 31, 2005
Revenue:		
Entertainment	$ 1,002,657	$ 1,402,696
Digit gaming	5,873,694	--
Other income	786	527
Total revenue	6,877,137	1,403,223
Cost of services	(5,788,393)	(878,014)
Gross profit	1,088,744	525,209
Distribution costs	(247,434)	(59,361)
Administrative expenses	(633,677)	(226,051)
Total expenses	(881,111)	(285,412)
Income from operations	207,633	239,797
Other income:		
Interest received	17,582	--
Income before income taxes	225,215	239,797
Benefit/(Provision) for income taxes	75,041	(67,472)
Net income	$ 300,256	$ 172,325
Earnings per share-basic and diluted	$ 0.01	$ 0.01
Weighted average number of common shares outstanding - basic and diluted	33,694,216	27,234,444

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

F-3

AMARU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Preferred Stock		Common Stock				
	Number of shares	Par Value ($0.001)	Number of shares	Par value ($0.001)	Additional Paid-in capital	Subscribed stock	Re ea
Balance December 31, 2004	--	$ --	27,200,000	$ 27,200	$ 2,932,751	$ --	$
Common stock issued for cash	--	--	4,033,000	4,033	11,309,817	--	
Common stock issued for repayment of account payable	--	--	145,000	145	434,855	--	
Stock issued for services	--	--	19,780	20	59,320	--	
Common stock subscribed for cash (1,380,000 shares)	--	--	--	--	--	4,140,000	
Common stock subscribed for services (38,960 shares)	--	--	--	--	--	116,880	
Net income	--	--	--	--	--	--	
Comprehensive loss on currency translation	--	--	--	--	--	--	
Comprehensive income							
Balance December 31, 2005	--	--	31,397,780	31,398	14,736,743	4,256,880	
Common stock issued for cash	--	--	1,602,850	1,602	4,610,108	--	
Subscribed common stock issued	--	--	1,418,960	1,420	4,255,460	(4,256,880)	
Net income	--	--	--	--	--	--	
Comprehensive loss on currency translation	--	--	--	--	--	--	
Comprehensive income							
Balance March 31, 2006	--	$ --	34,419,590	$ 34,420	$ 23,602,311	$ --	$ 1,

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

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

	FOR THE THREE MONTHS ENDED March 31, 2006	March 31, 2005
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 300,256	$ 172,325
Adjustments to reconcile net income to cash and cash equivalents used or provided by operations:		
Amortization	82,183	33,751
Depreciation	105,545	4,841
Changes in operation assets and liabilities		
Accounts receivables	(143,684)	(516,713)
Other receivables	(71,323)	140,737
Other current assets	(99,167)	(30,650)
Accounts payable and accrued expenses	5,705	68,784
Net cash from operating activities	179,515	(126,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Software development cost	--	(17,460)
Acquisition of equipment	(3,131,367)	(251,466)
Deposit paid for an investment	(1,052,613)	--
Acquisition of investment	(130,030)	--
Net cash (used in) investing activities	(4,314,010)	(268,926)
CASH PROVIDED FROM FINANCING ACTIVITIES		
Repayment of balances due to related party	(58,392)	(43,203)
Proceeds from issuance of common stock	4,611,710	544,625
Net cash provided by financing activities	4,553,318	501,422
Effect of exchange rate changes on cash and cash equivalents	--	3,739
Cash flow from all activities	418,823	109,310
Cash and cash equivalents at beginning of period	4,776,819	644,319
Cash and cash equivalents at end of period	$ 5,195,642	$ 753,629

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

F-5

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2006 AND 2005
(UNAUDITED)

1. BASIS OF PRESENTATION AND REORGANISATION

DESCRIPTION OF BUSINESS

Amaru, Inc. (the "Company") through its subsidiaries under the M2B brand is in the Broadband Media Entertainment business, and a provider of interactive Entertainment-on-demand, Education-on-demand and e-commerce streaming over Broadband channels, Internet portals and Third-Generation (3G) devices globally. It has launched multiple Broadband TV and integrated shopping websites with over 100 channels of content designed and programmed to effectively target specific viewer profiles and lifestyles of local and international audiences.

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

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

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

REORGANIZATION

As of February 25, 2004, an agreement was entered into which provides for the reorganization of M2B World Pte. Ltd., a Singapore corporation with and into Amaru, Inc. (Amaru), a Nevada corporation, with M2B World Pte. Ltd. (M2B), becoming a wholly-owned subsidiary of Amaru. The agreement was for the exchange of 100% of the outstanding Common Stock of M2B World Pte. Ltd. for 19,500,000 common shares and 143,000 Series A convertible preferred shares of Amaru, which were each convertible into 38.461538 shares of Amaru common stock.

The exchange was accounted for as a reverse acquisition. Accordingly for financial statement purposes, M2B World Pte. Ltd. was considered the accounting acquiror and the related business combination was considered a recapitalization of M2B World Pte. Ltd. rather than an acquisition by the Company. The historical financial statements prior to the agreement will be those of M2B World Pte. Ltd. and the name of the consolidated Company going forward will be Amaru, Inc. and Subsidiaries.

On this basis, the historical financial statements prior to February 28, 2004 have been restated to be those of the accounting acquirer M2B World Pte. Ltd. The historical stockholders' equity prior to the reverse acquisition has been retroactively restated (a recapitalization) for the equivalent number of shares received in the acquisition after giving effect to any difference in par value of the issuer's and acquirer's stock.

BASIS OF PRESENTATION

The financial statements included herein are unaudited. However, such information reflects all adjustments (consisting solely of normal occurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The results of operations for the three months ended March 31, 2006, are not necessarily indicative of the results to be expected for the full year.

The accompanying financial statements do not include footnote and certain financial presentation normally required under generally accepted accounting principles, and, therefore, should be read in conjunction with the company's Annual report on Form 10-KSB for the year ended December 31, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management has not made any subjective or complex judgments the application of which would result in any material differences in reported results.

CONCENTRATION OF CREDIT RISK

The credit risk is primarily attributable to the Company's trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Licensing and advertising revenues were concentrated with three customers totaling 100% of these related revenues for the three months ended March 31, 2006 and two customers totaling 100% of these revenues for the three months ended March 31, 2005.

The Company's operations are conducted over the world wide web and some purchases are made from locations outside of Singapore. The Company had been transacting primarily through its Singapore operating entity.

	For the three months ended March 31	
	2006	2005
Sales outside Singapore	$ 6,853,694	$ --

Services purchased outside of Singapore	$ 5,742,563	$ 878,014

CASH AND CASH EQUIVALENTS

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

Cash in banks and short-term deposits are held to maturity and are carried at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

REVENUES

Subscription and related services revenues are recognized over the period that services are provided. Advertising and sponsorship revenues are recognized as the services are performed or when the goods are delivered. Licensing and content syndication revenue is recognized when the license period begins, and the contents are available for exploitation by customer, pursuant to the terms of the license agreement. Gaming revenue is recognized as earned net of winnings. E-commerce commissions are recognized as received. Broadband consulting services and on-line turnkey solutions are recognized as earned.

COSTS OF SERVICES

The cost of services pertaining to 1) advertising and sponsorship revenue and 2) subscription and related services are cost of bandwidth charges, channel design and alteration, copyright licensing, and hardware hosting and maintenance costs. The cost of services pertaining to E-commerce revenue are channel design and alteration, and hardware hosting and maintenance costs. All these costs are accounted for in the period incurred.

LICENSING RIGHTS

Licensing rights refers to the rights to use the content. These rights are purchased for a specific period as determined in the contract. The costs of these rights are recognized in the accounts over the life of the contract on a straight line basis. These contents are then streamed into the broad-band sites and the revenue earned from advertising, sponsorship and subscription are then recognized according to our policy on revenue.

TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30 to 90 day terms, are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts (if any). An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The Company has reviewed trade and other receivables and determined that no allowance for doubtful accounts is required.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Expenditures for major improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset, are expensed when incurred.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which is three to five years.

PRODUCT DEVELOPMENT

The Company capitalized the development and building cost related to the broad-band sites and infrastructure for the streaming system, most of which was developed in 2002. The Company projects that these development costs will be useful for up to five years before additional significant development needs to be done.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews the carrying values of its long-lived and intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No impairment losses were recorded in the three months ended March 31, 2006 and the year ended December 31, 2005.

ADVANCES FROM RELATED PARTY

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

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are measured and recorded in the functional currency, U.S dollars, using the Company's prevailing month exchange rate. The Company's reporting currency is also in U.S. dollars. At each balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date and the income statement accounts using the average exchange rates throughout the period. Translation gains and losses are recorded in stockholders' equity as other comprehensive income and realized gains and losses from foreign currency transactions are reflected in operations.

INVESTMENTS

Investments in companies 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.

Investments in which the Company does not have a controlling interest or is unable to exert significant influence are accounted for at market value if the investments are publicly traded and any resale restrictions are less than one year are accounted for as available for sale securities.

ADVERTISING

The cost of advertising is expensed as incurred. For the three months ended March 31, 2006 and 2005 the Company incurred advertising expenses of $190,130 and $20,144 respectively.

INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board (FASB) issued FAS No. 128 "Earnings Per Share" which requires the Company to present basic and diluted earnings per share, for all periods presented. The computation of earnings per common share (basic and diluted) is based on the weighted average number of shares actually outstanding during the period. The Company has no common stock equivalents, which would dilute earnings per share.

FINANCIAL INSTRUMENTS

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

RECLASSIFICATIONS

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

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2006	December 31, 2005
Office equipment	$ 469,308	$ 431,791

Film library	7,994,092	4,905,066
Motor vehicle	11,000	11,000
Furniture, fixture and fittings	101,325	96,501
	8,575,725	5,444,358
Accumulated depreciation	(285,773)	(180,228)
	$ 8,289,952	$ 5,264,130

Depreciation expense was $105,545 for the three months ended March 31, 2006 and $4,841 for the three months ended March 31, 2005

4. PRODUCT DEVELOPMENT

Product development consists of the following:

	March 31, 2006	December 31, 2005
Development expenditures	$ 618,561	$ 618,561
Accumulated amortization	(574,989)	(557,945)
	$ 43,572	$ 60,616

Amortization expense was $17,044 for the three months ended March 31, 2006 and $33,751 for the three months ended March 31, 2005.

5. LICENSE

License consists of the following:

	March 31, 2006	December 31, 2005
Software license	$ 2,420,227	$ 2,420,227
Gaming license	4,690,000	4,690,000
	7,110,227	7,110,227
Accumulated amortization	(210,695)	(145,556)
	$ 6,899,532	$ 6,964,671

Amortization expense was $65,139 for the three months ended March 31, 2006 and $0 for the three months ended March 31, 2005.

6. COMMITMENTS

LEASES

The Company renewed its lease with a larger office space of about 4,000 square feet, at a monthly rental of $4,204. The new lease period is for three years, expiring on March 16, 2008.
Rent expense totaled $32,217 for the three months ended March 31, 2006 and $7,781 for the three months ended March 31, 2005.

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

2006	2007	2008	Total
$ 37,836	$ 50,450	$ 10,510	$ 98,796

7. GAMING SERVICES

The Company's wholly owned subsidiary, M2B Commerce Limited purchased 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.

8. CAPITAL STOCK

COMMON STOCK FOR CASH

>From January 23, 2006, to March 31, 2006 the Company issued 1,602,850 shares of common stock through private placement at a price of $3 per share for a total amount of $4,808,550. Consulting fees of $196,840 associated with the issuance of these shares of common stock were deducted from paid-in capital.

In January and February 2006, the Company issued 1,418,960 shares of common stock which had been subscribed. The Company reclassified 4,255,460 from common stock subscribed to common stock and additional paid in capital.

COMMON STOCK ISSUED TO EMPLOYEES

On December 30, 2005, 33,960 shares of common stock were approved for issue at a price of $3 a share to employees. These shares were issued in January 2006. These shares were issued to the employees for their services to the Company pursuant to the Company's 2004 Equity Compensation Plan (the "Plan"). The shares of Common stock issued to the employees pursuant to the Plan have been registered on the registration statement on Form S-8.

COMMON STOCK ISSUED FOR CONSULTING SERVICES

On December 30, 2005, the Company approved the issue of 5,000 shares of common stock at a price of $3 a share to a consultant for services to be rendered to the Company. The shares were issued in January 2006. The services of the consultant pertaining to these shares issued were not rendered as at December 31, 2005.

9. INCOME TAXES

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

The Company operated primarily in Singapore and incurred no United States federal or state income taxes as of March 31, 2006 and 2005.

The Company had available approximately $1,811,000 of unused Federal net operating loss carry-forwards at March 31, 2006, that may be applied against future taxable income. These net operating loss carry-forwards expire for Federal purposes in 2025. There is no assurance that the Company will realize the benefit of the net operating loss carry-forwards.

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

The Company had available approximately $2,525,370 of unused Singapore capital allowance carry-forwards at March 31, 2006, 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.

10. SEGMENT REPORTING

The Company classifies its business into reportable segments. The segments consists principally of entertainment and digit gaming. Information as to the operations of the Company in each of its business segments is set forth below based on the nature of the products and services offered.

The Company has provided a summary of operating income by segment. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies in Note 2.

2006

	Entertainment	Digit Gaming	Other	Total
Revenues from external customers	$ 1,002,657	$ 5,873,694	$ 786	$ 6,877,137
Interest revenue	$ 17,582	$ --	$ --	$ 17,582
Interest expense	$ --	$ --	$ --	$ --
Depreciation and amortization	$ 113,089	$ 74,639	$ --	$ 187,728
Segment (loss) profit	$ 212,922	$ 82,977	$ 786	$ 296,685
Segment assets	$ 14,843,096	$ 6,530,580	$ 4,230,562	$ 25,604,238
Expenditures for segment assets	$ 3,131,367	$ --	$ --	$ 3,131,367

Reconciliation :-

REVENUES

Total revenues for reportable segments	$ 6,876,351
Other revenue	$ 786
Total consolidated revenues	$ 6,877,137

INTEREST REVENUE

Total interest revenue for reportable segments	$ 11,471
Corporate interest revenue	$ 6,111
Total consolidated interest revenue	$ 17,582

PROFIT OR LOSS

Total profit for reportable segments	$ 296,685
Corporate expenses	$ (71,470)
Profit before income tax	$ 225,215

ASSETS

Total assets for reportable segments	$ 21,373,676
Other assets	$ 4,230,562
Total consolidated assets	$ 25,604,238

EXPENDITURES FOR SEGMENT ASSETS

Total expenditures for assets for reportable segments	$ 3,131,367

2005

	Entertainment	Digit Gaming	Other	Total
Revenues from external customers	$ 1,402,696	$ --	$ 527	$ 1,403,223
Interest revenue	$ --	$ --	$ --	$ --
Interest expense	$ --	$ --	$ --	$ --
Depreciation and amortization	$ 38,592	$ --	$ --	$ 38,592
Segment profit	$ 255,240	$ --	$ 527	$ 255,767
Segment assets	$ 2,759,449	$ --	$ 2,440,227	$ 5,199,676
Expenditures for segment assets	$ 268,926	$ --	$ --	$ 268,926

Reconciliation :-

REVENUES

Total revenues for reportable segments	$ 1,402,696
Other revenue	$ 527

Total consolidated revenues	$ 1,403,223

PROFIT OR LOSS

Total profit for reportable segments	$ 255,767
Corporate expenses	$ (15,970)
Income before income tax	$ 239,797

ASSETS

Total assets for reportable segments	$ 2,759,449
Other assets	$ 2,440,227
Total consolidated assets	$ 5,199,676

EXPENDITURES FOR SEGMENT ASSETS

Total expenditures for assets for reportable segments	$ 268,926

11. SUBSEQUENT EVENTS

COMMON STOCK ISSUED FOR CASH

On April 3, 2006, the Company issued 2,000,000 shares of common stock through private placement at a price of $3 per share for a total amount of $6,000,000. Consulting fees approximating $510,000 associated with the issuance of these shares of common stock were accrued.

>From April 24, 2006 to April 26, 2006 the Company issued 202,000 shares of common stock through private placement at a price of $5 per share for a total amount of $1,010,000.

COMMON STOCK ISSUED FOR REPAYMENT OF ACCOUNTS PAYABLE

On April 27, 2006, the Company issued 1,748,000 shares of common stock through a private placement at a price of $5 a share for a total amount of $8,740,000 for repayment of accounts payable.

F-12

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY THE COMPANY TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. PROSPECTIVE SHAREHOLDERS SHOULD UNDERSTAND THAT SEVERAL FACTORS GOVERN WHETHER ANY FORWARD - LOOKING STATEMENT CONTAINED HEREIN WILL BE OR CAN BE ACHIEVED. ANY ONE OF THOSE FACTORS COULD

CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED HEREIN. THESE FORWARD - LOOKING STATEMENTS INCLUDE PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, INCLUDING PLANS AND OBJECTIVES RELATING TO THE PRODUCTS AND THE FUTURE ECONOMIC PERFORMANCE OF THE COMPANY. ASSUMPTIONS RELATING TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND THE TIME AND MONEY REQUIRED TO SUCCESSFULLY COMPLETE DEVELOPMENT PROJECTS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THOSE ASSUMPTIONS COULD PROVE INACCURATE AND, THEREFORE, THERE CAN BE NO ASSURANCE THAT THE RESULTS CONTEMPLATED IN ANY OF THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN WILL BE REALIZED. BASED ON ACTUAL EXPERIENCE AND BUSINESS DEVELOPMENT, THE COMPANY MAY ALTER ITS MARKETING, CAPITAL EXPENDITURE PLANS OR OTHER BUDGETS, WHICH MAY IN TURN AFFECT THE COMPANY'S RESULTS OF OPERATIONS. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD - LOOKING STATEMENTS INCLUDED THEREIN, THE INCLUSION OF ANY SUCH STATEMENT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

General

M2B World is in the business of broadband entertainment and education-on-demand, streaming via computers, television sets, PDAs (Personal Digital Assistant) and the provision of broadband services. Its business includes channel and program sponsorship (advertising and branding); online subscriptions, channel/portal development (digital programming services); content aggregation and syndication, broadband consulting services, broadband hosting and streaming services and E-commerce.

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

RESULTS OF OPERATIONS

For the quarter ended March 31, 2006 compared with the quarter ended March 31, 2005

OVERVIEW

The Company, through its subsidiaries under the M2B brand name is in the Broadband Media Entertainment business, and a provider of interactive Entertainment-on-demand, Education-on-demand and e-commerce streaming over Broadband channels, Internet portals, and 3G devices globally.

The Company has launched multiple Broadband TV websites with entertainment, education and online shopping content, with over 100 channels designed to cater to various consumer segments and lifestyles. Its content covers diverse genres such as movies, dramas, comedies, documentaries, music, fashion, lifestyle, education, and more. The Company markets its products globally through its "M2B" brand name. The M2B brand has established its competitive edge by offering access to an expansive range of content libraries for aggregation, distribution and syndication on Broadband and other media, including rights for merchandising, product branding, promotion and publicity.

1

Business Operations

Our principal operations are carried out through the following three segments of our business:

1. Entertainment Services - Video on-Demand services such as for entertainment and education, providing the Company with advertising, subscriptions, online games and e-commerce (B2B and B2C) revenues
2. Digit Games
3. E-Travel Services - Online Travel Portal

1. Entertainment Services

The Company provides online entertainment and education on-demand on Broadband channels, Internet portals and 3G devices across the globe, for specific and identified viewer lifestyles, demographics and interests; and includes the viewing experience to an on-line shopping experience.

The Company uses Broadband technology to provide its services. Broadband technology is defined as high speed, high-bandwidth, two-way data, voice and video communications, delivered at high transmission rates. It allows the following to be delivered:

- Video-on-demand (VOD) services that enable individuals to select videos from a Central Server, on-demand 24 hours a day, 7 days a week, for viewing on:
- Television screens (Set top Box Technology)
- PCs (Digital Subscriber Line (DSL) Technology)
- Personal Digital Assistants(PDA), 3G handphones (Wireless Technology)
- E-Commerce or online shopping - linked interactively to the VOD platforms on broadband. Consumers choose to buy products online with digital cash as they watch the videos.

The Company applies broadband technologies to facilitate its growth in the broadband sector. Its main competitive advantage is derived from its ownership of exclusive rights for various territories on broadband for its contents i.e. movies and programs on lifestyles, education, business and glamour.

The Company has built and installed its broadband streaming system complete with firewalls, load balancing, bandwidth and consumer monitoring systems, video streaming, video storage and web servers in Singapore and US.

The Company has also developed its streaming applications to stream into television sets, via a set top box.

The Company has developed a capability to stream wireless broadband and have its own digitized entertainment sites for wireless broadband applications.

M2B offers consumers personalized entertainment through its wide range of broadband streaming channels available at www.m2bworld.com.

The Company's offers the following products on the VOD platform :

a) Entertainment - Consumers pay a monthly subscription for access to movies, music, glamour and fashion, lifestyle (hobbies, cooking, personalities), documentaries, sports, health and fitness and others. They can choose from a large number of different channels depending on their interests or lifestyle preferences.

b) Adult Education - consumers pay a monthly subscription to view program on management skills, communication skills, decision making, customer services and sales, motivation, presentation and writing skills, counseling and others.

With this strategy, the Company generates diversified sources of revenue from:

1. Advertising i.e. program & channel sponsorship
2. Online subscriptions
3. Channel/portal development i.e. digital programming services
4. Content aggregation and syndication
5. Broadband consulting services and online shopping turnkey solutions
6. E-commerce services
7. Online gaming micro-payments

Currently, the M2B Broadband websites include:

1. ENTERTAINMENT SITES

International and US Sites:

- Star78.com - an advertising-based Family Entertainment site for international viewers
- Shine8.com - an advertising-based Lifestyle site for international viewers
- Jump29.com - an advertising-based Young Adults site for international viewers
- Dreamstage7.com - an advertising & subscription-based Glamour & Fashion site for international viewers
- Highfashion7.com - an advertising and subscription based designer Fashion site for international viewers
- Dragon78.tv - an advertising & subscription-based Mandarin Entertainment site for viewers in US only
- Chinois78.com - an advertising and subscription based Mandarin Lifestyle site for viewers in US only

Asian Sites:

- Dimension88.com - an advertising & subscription-based Movie site in Singapore only
- Dragon78.com - an advertising & subscription-based Mandarin Entertainment site in Singapore only
- Joy Channel - a subscription based family entertainment site dedicated for United Power viewers in Japan only
- Ideas Broadband - four subscription based entertainment sites (Movie Mania, Executive Online, Glamour Galore, Dragon City providing 25 channels) dedicated for Singapore Telecommunications Ltd Ideas Broadband viewers in Singapore only
- Trilogy - a subscription based 3G mobile phone entertainment site dedicated for Singapore Telecommunications Trilogy viewers in Singapore only
- Colours78.com - an advertising and subscription based Mandarin Lifestyle site in Singapore only
- HappyDigi.com - a subscription based Mandarin site in China only (Movie entertainment platform)

2. EDUCATION SITES

US Sites:

- o Wiz5.us - an advertising & subscription-based Business & Corporate Training site for viewers in US only

Asian Sites:

- o Wiz5.com - an advertising & subscription-based Business & Corporate Training site for viewers in Singapore only

3. E-COMMERCE SITES

International Sites:

- o Starzmall.com - A One-Stop Shopping Paradise
- o Trotteuse.com - A Second-Hand Branded Goods Mall
- o Royalhive.com - A One-Stop Health and Beauty Mall

Broadband Services

a) Content Management System
The Company launched a state-of-the-art automated Content Management System ("CMS") to enhance its advertising service offered to clients and to provide a new revenue source for the Company. The system allows for the highly specialized programming of video, animation, streaming and flash content to multiple destinations and was demonstrated at the Asia Television Forum (ATF 2005), a regional platform for media buyers and sellers. As a sponsor at the event, M2B World showcased the automated CMS on plasma screens, together with programming from the wide ranging M2B content library that includes movies, dramas, comedies, documentaries, music, fashion, lifestyle, learning and more.

Linked by broadband networks and wireless set-top boxes to push content and scheduled advertising at physical premises, the CMS allows businesses the option of presenting targeted content on selected video displays in multiple locations, such as on different levels of a shopping mall, in various spots within a restaurant or club or on separate elevators in the same building.

In store video panels can also carry individualized messages together with customized content to effectively reach consumers and target audiences within the premises. The Company plans to introduce this integrated CMS and content solution to U.S. clients in 2006. Businesses and advertisers can then readily offer customers feature-rich content with this versatile and easy-to-use CMS designed to advance brand-building activities and widen the advertising options for customer outreach. As a frontrunner in broadband media, this integrated solution underscores M2B's key strength in delivering content for viewing on PCs, 3G mobile phones, PDAs as well as television screens. This is another method by which M2B is continuing to effectively meet the consumer shift toward on-demand and personalized media experiences whether at home or work and now additionally on video screens in stores, restaurants, clubs and other business or leisure outlets.

b) Global Broadband TV Service
The Company through its wholly owned subsidiaries, M2B World Inc incorporated in the state of California and M2B World Pte. Ltd. incorporated in Singapore, will be offering multiple TV channels, delivered live over the Internet, to homes that have a high-speed internet connection.

The service will be in operation in the US and Singapore in June 2006 and it is expected that 40 channels will be available to customers. Anyone subscribing to a local Internet service provider will be able to tune in to the service on a subscription basis. Subscribers will be provided with a set-top box that connects to their broadband modems instead of the cable TV point at home. They will be able to watch the programs on their TV sets. The Company plans to extend this service to broadband users worldwide in the later part of 2006.

2. Digit Games

In May 2005, 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. The license to manage, conduct and operate the digit games activities in Cambodia is for a period of eighteen years.

3. E-Travel Services

In December 2005, the Company's subsidiary, M2B World Travel Limited., signed a global agreement with Amadeus Global Travel Distribution, SA, a Spanish corporation. Through the agreement, M2B will be able to offer direct access to the extensive range of travel options available through the Amadeus network to their viewers around the world. The agreement extends M2B's reach from broadband streaming entertainment into the worldwide travel arena.

The World Travel & Tourism Council (WTTC) recently estimated that worldwide spending for personal travel will hit $2.8 trillion in 2005. According to PhoCusWright, the online portion of those sales is growing particularly quickly in the US, Europe and the Asia-Pacific region, where combined online travel sales in those three geographic regions is estimated to top $115 billion this year. With eMarketer reporting that broadband currently reaches over 58 million households in Asia-Pacific alone, M2B World Travel Ltd. through its agreement with Amadeus, is now poised to immediately access and serve this consumer market.

M2B World Travel Ltd. will now be able to offer consumers access to the huge range of content available through the Amadeus system, including 500 airlines, 58,000 hotels, and a whole range of other travel content.

The M2B World Travel Website will consistently provide the most competitive rates through its direct connection to the Amadeus System using the Elleipsis TravelTalk(TM) integration platform, which allows M2B to access not only the major travel providers, but an expanded roster of additional suppliers such as low-cost carriers, cruise lines, and widened hotel distribution channels all through one single, easy-to-use platform based on the M2B website, www.m2bworld.com.

The innovative video e-travel portal brings an extensive range of travel options to our viewers and giving the Company a powerful entry into the travel and tourism market; effectively allowing consumers worldwide to tap the broad and competitive options available no matter what their travel needs. The e-travel portal by M2B World Travel directly aggregates travel solutions from 500 airlines, 58,000 hotel properties, some 42 car rental companies serving over 30,000 locations, as well as widespread air, ferry, rail, cruise, and tour operators with proprietary video content, allowing customers to the site to view their travel destination, thus influencing their purchasing decision.

The M2B travel site is expected to launched in third quarter of2006.

REVENUE

The revenue for the three months ended March 31, 2006 was $6,877,137.

Revenue for the three months ended March 31, 2006 at $6,877,137 was higher than revenue of $1,403,223 for the three months ended March 31, 2005 by $5,473,914 (390%). This increase in revenue was mainly contributed by the digit games in Cambodia which commenced operations in June 2005.

COST OF SALES

Cost of sales for the three months ended March 31, 2006 was $5,788,393 which increased by $4,910,379 (559%) from $878,014 for the three months ended March 31, 2005.

As a proportion of revenue, the cost of sales for the three months ended March 31, 2006 was 84% (cost of sales at $5,788,393 and revenue of $6,877,137) as compared to 63% for the three months ended March 31, 2005 (cost of sales at $878,014 and revenue at $1,403,223).

The significant increase in cost of sales of $4,910,379 (559%) was mainly attributed to the cost of managing and operating the operations and game centers in Cambodia for the digit games (lottery).

The proportion of 84% for the three months ended March 31, 2006 compared to the 63% for the three months ended March 31, 2005 was higher as the Company did not incur the cost of managing and operating the operations and game centers in Cambodia for the three months ended March 31, 2005.

DISTRIBUTION EXPENSES

Distribution expenses for the three months ended March 31, 2006 at $247,434 was higher by $188,073 (317%) as compared to the amount of $59,361 incurred for the three months ended March 31, 2005.

The higher distribution expenses was attributed to increased spending on the branding of the M2B brand, marketing and promoting the global Broadband TV which increased by $169,986 (844%) from $20,144 for the three months ended March 31, 2005 to $190,130 for the three months ended March 31, 2006.

GENERAL AND ADMINISTRATIVE EXPENSES

Administration expenses for the three months ended March 31, 2006 at $633,677 was higher by $407,626 (180%) as compared to the amount of $226,051 incurred for the three months ended March 31, 2005.

The increase in administrative expenses were attributed mainly to the increase in:-

- Staff costs. Staff costs had increased by $140,320 (233%) from $60,326 for the three months ended March 31, 2005 to $200,646 for the three months ended March 31, 2006 as a result of the increase in the number of professional employees hired to cater to the expanding and growing business;
- Depreciation and license amortization. The increase in depreciation was attributed to the leasehold improvements for the expansion of the office, new editing suites and laptops provided to staff to cater to the demands of

the growing business. The increase in license amortization came from the gaming license in Cambodia and the movie contents which have a definite life. The amount increased by $149,136 (386%) from $38,592 for the three months ended March 31, 2005 to $187,728 for the three months ended March 31, 2006; and

o Professional fees incurred for the valuation of a subsidiary and recruitment fees incurred in connection with the hiring of senior staff. The amount of professional fees increased by $39,001 (70%) from $55,515 for the three months ended March 31, 2005 to $94,516 for the three months ended March 31, 2006.

INCOME FROM OPERATIONS

Income from operations registered a slight decrease of $32,164 (13%) from $239,797 for the three months ended March 31, 2005 to $207,633 for the three months ended March 31, 2006.

NET INCOME

Net income for the three months ended March 31, 2006 was $300,256 which increased by $127,931 (74%) from $172,325 for the three months ended March 31, 2005.

The increase was mainly attributed to interest income earned and write back of deferred tax.

5

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at $5,195,642 at March 31, 2006 as compared to cash of $753,629 at March 31, 2005.

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

During the three months ended March 31, 2006, 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 2006 to expand its broadband coverage by launching new broadband sites in North America, Europe and Australia.

In North America, the Company intends to launch new broadband entertainment and business training content sites in 2006. The server farm will be expanded in the US to handle the North American business and the global Broadband TV service. By the second quarter of 2006, the Company plans to offer multiple TV channels, delivered live over the Internet, to homes that have a high-speed internet connection. This service is to be available in the US and Singapore in June 2006 with about 40 channels available to customers. The Company intends to provide a similar service to broadband users worldwide in later part of 2006.
In the third quarter of 2006, the Company plans to launch an innovative travel

e-commerce portal, marketing travel products through a revolutionary world first video travel portal and providing distribution and technology solutions for the travel industry.

The Company is continuing to raise additional funds through its private placement of equity to fund all business expansions and working capital. For the three months ended March 31, 2006, the Company raised a total of $4,611,710, net of issuance costs of $196,840.

The Company believes that it can continue to raise funds through private placement of its securities to fund its growth and expansion.

NEW CONTRACTS

There are three new contracts entered into in the quarter ended March 31, 2006:

On January 12, 2006, the Company through its subsidiary, M2B Commerce Limited (British Virgin Islands)entered into an investment agreement with Khoo Kim Leng. Khoo Kim Leng is the beneficial owner of Dai Long Co who intends to develop and operate an integrated resort in the Kingdom of Cambodia consisting of hotel, guest house, shopping arcade, entertainment and amusement centre and some gaming tables. Pursuant to the terms of the Agreement, M2B Commerce Limited will acquire 25% beneficial ownership in Dai Long for $3million. A downpayment of $1.24million shall be paid within 30 days from signing of the Agreement. The initial downpayment of $1.24million shall be converted into 5% equity of Dai Long. The remaining $1.76million of the agreed payment shall be made within 90 days of the signing of the Agreement, pursuant to the results of the feasibility and land valuation study as stated in the Agreement.

In the event, M2B Commerce Limited is not able to continue with the investment, all monies invested shall be converted into equity as follows : $1.24million for 5% equity shares of Dai Long, US$1.76million for 20% equity shares of Dai Long, prorated accordingly in the event of partial payment by M2B Commerce Limited.

On March 14, 2006, the Company through its subsidiary, M2B Commerce Limited (British Virgin Islands) entered into a five year agreement with an ISP provider in Cambodia, Cogetel Limited, a Cambodian corporation, to offer its interactive, on-demand broadband entertainment platform and its proprietary micro-payment system to the Cambodian-based company which holds the Online brand.

On March 15, 2006, the Company through its subsidiary, M2B World Travel Ltd. entered into an agreement with a travel service provider in China, China International Travel Services (CITS, Sichuan Province) that will facilitate the linking of the M2B World Travel platform with the CITS network within the major tourist hubs in China beginning with Sichuan.

ITEM 3. Controls and Procedures

Our President and Treasurer/Chief Financial Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting for the Company. The Certifying Officers have designed such disclosure controls and procedures and internal controls and procedures for financial reporting to ensure that material information are made known to them, particularly during the period in which this report was prepared. The Certifying Officers have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls and procedures for financial reporting as of March 31, 2006 and believes that the Company's disclosure controls and procedures and internal controls and procedures for financial reporting are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal proceedings

No disclosures are required pursuant to Item 103 of Regulation S-B, taking into account Instruction 1 to that Item.

Item 2. Unregistered sales of equity securities and use of proceeds

During the quarter ended March 31,2006, the Company issued 1,602,850 shares of common stock through its private placement of shares of common stock at a purchase price of $3 per share for a total amount of $4,808,550 to "accredited investors", as that term is defined in Regulation D of the Securities Act of 1933. Consulting fees of $196,840 associated with the issuance of these shares of common stock were deducted from paid-in capital. The proceeds of the sale were used for growth and expansion of the business.

The shares of the Company's common stock were issued and sold in reliance upon the exemption provided by Section 4(2) and/or Regulation D/Regulation S of the Securities Act of 1933.

Item 3. Defaults on senior securities NONE

Item 4. Submission of items to a vote NONE

Item 5. Other information

Sales of Unregistered Securities

On April 3, 2006, the Company issued 2,000,000 shares of common stock through private placement at a price of $3 per share for a total amount of $6,000,000 to accredited investors only. The Company completed its private placement which commenced in February, 2005.

>From April 24, 2006 to April 26, 2006 the Company issued 202,000 shares of common stock through its new private placement of up to $10 million at a purchase price of $5 per share for a total amount sold of $1,010,000. On April 27, 2006, the Company issued 1,748,000 shares of common stock in the same private placement at a purchase price of $5 a share for a total amount of $8,740,000 for repayment of accounts payable. The use of proceeds includes working capital and business expansion of the Company.

The shares issued in the private placements set forth above were issued in reliance on Section 506 of the Regulation D and/or Regulation S of the Securities Act of 1933.

Item 6.

(a) Exhibits

Exhibit No.	Description

Exhibit 31	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
Exhibit 32	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

b) Reports on 8K during the quarter:

Form 8-K filed on January 4, 2006
Form 8-K filed on January 9, 2006
Form 8-K filed on January 18, 2006
Form 8-K filed on January 30, 2006
Form 8-K/A filed on February 22, 2006
Form 8-K filed on March 9, 2006

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMARU, INC.

Date: December 28, 2006

By /s/ Colin Binny
President

By /s/ Bee Leng Ho
Chief Financial Officer