AMARU INC
Form 10-Q
November 06, 2007

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

FORM 10-Q

Mark one:
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 2007

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 000-50065

Amaru, Inc.

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

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

112 Middle Road, #08-01 Midland House, Singapore 188970

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (011)(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 an accelerated filer (as defined in Rule 12b-2 Of the Exchange Act.

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]

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

(Class)	(Outstanding at September 30, 2007)
Common Stock $0.001 par value	159,431,861 shares

AMARU, INC. AND SUBSIDARIES
2007 Quarterly Report on Form 10-Q

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AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2007	DECEMBER 2006
ASSETS	(UNAUDITED)	(AUDITED

Current assets		
Cash and cash equivalents	$ 2,602,380	$ 2,294,9
Accounts receivable, net	4,616,353	2,106,6
Equity securities held for trading	5,934,000	
Other current assets	4,250,964	539,6
Inventories	1,154,854	1,689,6
Total current assets	18,558,551	6,630,8
Non-current assets		
Property and equipment, net	1,570,200	1,215,7
Intangible assets, net	28,919,099	28,886,8
Associate	4,957,288	
Available-for-sale of equity securities	9,105,413	12,158,3
Total non-current assets	44,552,000	42,260,9
Total assets	$ 63,110,551	$ 48,891,8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 2,367,116	$ 2,101,9
Other payables	157,100	
Advance from related party	100,695	
Finance lease liabilities	10,477	
Income taxes payable	5,428	58,4
Total current liabilities	2,640,816	2,160,4
Non-current liabilities		
Deferred tax liabilities	2,718,624	1,684,1
Hire purchase creditor	58,498	
Total non-current liabilities	2,777,122	1,684,1
Total liabilities	5,417,938	3,844,6
Minority interests	4,174,850	
Commitments	--	
Stockholders' equity		
Preferred stock (par value $0.001) 5,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	--	
Common stock (par value $0.001) 200,000,000 shares authorized; 159,431,861 and 153,638,528 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	159,431	153,6
Additional paid-in capital	42,918,666	38,942,1
Subscribed common stock, 0 and 420,000 shares at September 30, 2007 and December 31, 2006, respectively	--	189,0
Retained earnings	6,747,032	2,084,9
Accumulated other comprehensive income	3,692,634	3,677,5
Total stockholders' equity	53,517,763	45,047,2
Total liabilities and stockholders' equity	$ 63,110,551	$ 48,891,8

See accompanying notes to consolidated financial statements

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006	F SEP
Revenue:			
Entertainment	$ 15,036,991	$ 6,305,460	$
Digit gaming	16,481,642	17,310,828	
Other income	--	9,794	
Total revenue	31,518,633	23,626,082	
Cost of services	(17,553,771)	(17,056,214)	
Gross profit (loss)	13,964,862	6,569,868	
Distribution costs	(677,357)	(857,412)	
Administrative expenses	(5,152,899)	(3,278,355)	
Total expenses	(5,830,256)	(4,135,767)	
Income (loss) from operations	8,134,606	2,434,101	
Other expenses:			
Interest expenses	(678)	--	
Interest income	36,489	109,336	
Loss on disposal of equipment	(152)	--	
Gain on dilution of interest in subsidiary	2,483,871	--	
Net change in fair value of financial assets at fair value through Profit or Loss-held for trading	(4,002,000)	--	
Share of loss of associate	(8,827)	--	
Income (loss) before income taxes	6,643,309	2,543,437	(
(Provision) Benefit for income taxes	(902,464)	(405,539)	
Net income (loss)	$ 5,740,845	$ 2,137,898	$
Attributable to:			
Equity holders of the Company	$ 4,662,124	$ 2,137,898	$
Minority interests	1,078,721	--	
Net income (loss)	$ 5,740,845	$ 2,137,898	$
Net income per share - basic and diluted	$ 0.01	$ 0.01	$
Weighted average number of common shares outstanding			

- basic and diluted	155,577,356	146,563,354	1

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	PREFERRED STOCK		COMMON STOCK			
	NUMBER OF SHARES	PAR VALUE ($0.001)	NUMBER OF SHARES	PAR VALUE ($0.001)	ADDITIONAL PAID-IN CAPITAL	SUBSCRIBED COMMON STOCK
Balance at December 31, 2005	--	--	125,591,120	$ 125,591	$14,642,550	$ 4,256,880
Common stock issued for cash	--	--	15,339,568	15,339	11,255,404	--
Common stock issued for services	--	--	40,000	40	59,960	--
Subscribed common stock issued	--	--	5,675,840	5,676	4,251,204	(4,256,880)
Common stock issued in exchange for acquisition of film library	--	--	6,992,000	6,992	8,733,008	--
Common stock subscribed for services (420,000 shares)	--	--	--	--	--	189,000
Net income	--	--	--	--	--	--
Change in fair value of available for-sale-equity securities net of tax	--	--	--	--	--	--

Comprehensive income	--	--	--	--	--	--
Balance at December 31, 2006	--	--	153,638,528	$ 153,638	$38,942,126	$ 189,000

See accompanying notes to consolidated financial statements

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continued below:

continued from above

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2005	$ 12,927	$ --	$ --	$19,872,327
Common stock issued for cash	--	--	--	11,270,743
Common stock issued for services	--	--	--	60,000
Subscribed common stock issued	--	--	--	--
Common stock issued in exchange for acquisition of film library	--	--	--	8,740,000
Common stock subscribed for services (420,000 shares)	--	--	--	189,000
Net income	--	--	--	1,250,529
Change in fair value of available				

for-sale-equity securities net of tax	--	3,664,647	--	3,664,647
Comprehensive income	--	--	--	4,915,176
Balance at December 31, 2006	$ 12,927	$ 3,664,647	$ --	$45,047,246

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCO
(UNAUDITED)

	PREFERRED STOCK		COMMON STOCK		
	NUMBER OF SHARES	PAR VALUE ($0.001)	NUMBER OF SHARES	PAR VALUE ($0.001)	ADDITIONAL PAID-IN CAPITAL
Balance at December 31, 2006	--	--	153,638,528	$ 153,638	$ 38,942,126
Subscribed common Stock issued	--	--	420,000	420	188,580
Common stock issued for services	--	--	40,000	40	59,960
Common stock issued In exchange for Prepayment of investment	--	--	5,333,333	5,333	3,728,000
Contribution from minority interest	--	--	--	--	--
Gain on dilution of interest in subsidiary	--	--	--	--	--
Net income	--	--	--	--	--
Change in fair value of available-for-sale equity securities net of tax	--	--	--	--	--

Comprehensive income	--	--	--	--	--
Balance at September 30, 2007	--	--	159,431,861	$ 159,431	$ 42,918,666

See accompanying notes to consolidated financial statements

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continued below

continued from above

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 2006	$ 12,927	$ 3,664,647	$ --	$ 45,047,246
Subscribed common Stock issued	--	--	--	--
Common stock issued for services	--	--	--	60,000
Common stock issued In exchange for Prepayment of investment	--	--	--	3,733,333
Contribution from minority interest	--	--	5,580,000	5,580,000
Gain on dilution of interest in subsidiary	--	--	(2,483,871)	(2,483,871)
Net income	--	--	1,078,721	5,740,845
Change in fair value of available-for-sale equity securities net of tax	--	15,060	--	15,060
Comprehensive income	--	--	--	5,755,905
Balance at September 30, 2007	$ 12,927	$ 3,679,707	$ 4,174,850	$ 57,692,613

See accompanying notes to consolidated financial statements

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

	FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,740,845	$ 2,137,898
Adjustments for:		
Amortization	2,308,179	716,125
Depreciation	406,141	147,781
Loss on disposal of equipment	152	--
Acquisition of investment in exchange for account receivable	(11,636,000)	(3,000,000)
Gain on dilution of interest in a subsidiary	(2,483,871)	--
Net change in fair value of financial assets at fair value through Profit or Loss-held for trading	4,002,000	--
Common stock issued for services	60,000	60,000
Common stock issued in exchange for prepayment of investment	3,733,333	--
Deferred tax	902,464	--
Share of loss of associate	8,827	--
Changes in operation assets and liabilities		
Accounts receivable	(2,509,706)	441,791
Inventories	534,780	(695,352)
Other current assets	(3,711,360)	(879,421)
Accounts payable and accrued expenses	265,146	158,202
Other payables	157,100	--
Income taxes payable	(53,045)	405,539
Net cash used in operating activities	(2,275,015)	(507,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of equipment	691	--
Acquisition of equipment	(761,440)	(708,393)
Acquisition of associate	(66,115)	--
Acquisition of investments	--	(638,458)
Acquisition of intangible assets	(2,340,395)	(8,521,180)
Deposit paid for an investment	--	(2,153,196)
Net cash used in investing activities	(3,167,259)	(12,021,227)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of balances due to related party	--	(58,392)
Proceeds from related party	100,695	--
Proceeds from hire purchase creditor	68,975	--
Proceeds from issuance of common stock	--	11,272,630
Capital contributed by minority shareholders	5,580,000	--
Net cash provided by financing activities	5,749,670	11,214,238

Effect of exchange rate changes on cash and cash equivalents	--	--
Cash flows from all activities	307,396	(1,314,426)
Cash and cash equivalents at beginning of period	2,294,984	4,776,819
Cash and cash equivalents at end of period	$ 2,602,380	$ 3,462,393
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of investments (1)	$ 11,636,000	--
Common stock in exchange for acquisition of film library	$ --	$ 8,740,000
Common stock in exchange for prepayment of investment	3,733,333	--
Subscribed common stock issued	$ --	$ 4,256,880

(1) On February 15, 2007, the Company through its subsidiary, M2B World Asia Pacific Pte. Ltd subscribed for additional 4% interest in an investment for $1.7 million in exchange for the settlement of an accounts receivables from the investee company.

On June 27, 2007, M2B World Holdings Limited, a wholly owned subsidiary of M2B World Asia Pacific Pte. Ltd, received $2.7 million in quoted equity securities in exchange for accounts receivable from a company, as part of the sales and purchase agreement with the company. Subsequent to June 27, 2007, the remaining shares were received.

(2) On July 11, 2007, Tremax International Limited, a wholly owned subsidiary of Amaru Inc, issued 5,333,333 shares of common stock in exchange for an investment in a company, as part of the sales and purchase agreement with the company.

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2007 AND 2006

1. BASIS OF PRESENTATION

1.1 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 multiple channels of content designed and programmed to 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.

1.2 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 nine months ended September 30, 2007, 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, 2006.

1.3 Recent Accounting Standards and Pronouncements

In 2006, the FASB issued Interpretation No. 48 (FIN 48), " Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 Accounting for Income Taxes." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007, as required.

The current Company policy classifies any interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as selling, general and administrative expense. There were no interest or selling, general and administrative expenses accrued or recognized related to income taxes for the nine months ended September 30, 2007. The Company has not taken a tax position that would have a material effect on September 30, 2007 or during the prior three years applicable under FIN 48. It is determined not to be reasonably possible for the amounts of unrecognized tax benefits to significantly increase or decrease within 12 months of the adoption of FIN 48. The Company is currently subject to a three year statute of limitations by major tax jurisdictions.

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 Trade Accounts Receivable

Trade accounts receivable, which generally have 30 to 90 days terms, are recorded at the invoiced amount less an allowance for any uncollectible amounts (if any) and do not bear interest. Amounts collected on trade 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 trade 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.

Entertainment revenues were concentrated with one customer totaling 99.8% of these related revenues for the nine months ended September 30, 2007 and four customers totaling 96.7% of these related revenues for the nine months ended September 30, 2006.

The Company's operations are conducted over the world wide web and some purchases are made from locations outside of Singapore.

	FOR THE NINE MONTHS ENDED	FOR THE THREE MONTHS EN

	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007	SEPTEMBER 2006
Sales outside of the U.S.	$31,518,290	$23,626,082	$ 6,024,096	$ 9,31
Services purchased outside of the U.S.	$ 17,449,405	$17,056,214	$ 6,189,248	$ 6,08

2.5 Inventories

Inventories are carried at the lower of cost 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.

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 Intangible Assets

Intangible assets consist of film library, gaming and software license and product development costs. Intangible assets which were purchased and have indefinite lives are stated at cost less impairment losses and are tested for impairment at least annually in accordance with the provisions of FASB Statement No. 142, Goodwill and Other Intangible Assets.

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. 144, Accounting for Impairment or Disposal of Long-Lived Assets. Such intangible assets are amortized over the period of the contract, which is two 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 September 1, 2005, with an option to extend for a further 5 years or such other period as may be mutually agreed.

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 five years before additional significant development needs to be done.

2.8 Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

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.

Available-for-sale securities 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.

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 nine months ended September 30, 2007 and the three months ended September 30, 2007.

2.11 Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sales decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the income statement.

2.12 Advances from Related Party

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

2.13 Leases

Leased assets in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalized at the lower of its fair value and the present value of the minimum lease payments. Subsequent to recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2.14 Foreign Currency Translation

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into US dollars at foreign exchange rate ruling at that date. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the date of the transaction. Foreign currency transaction gains and losses are included in determining net income and were not significant.

2.15 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 revenue are recognized as earned.

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 it was incurred.

AMARU, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2007 AND 2006

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.

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.

2.20 Advertising

The cost of advertising is expensed as incurred. For the nine months ended September 30, 2007 and 2006, the Company incurred advertising expenses of $408,857 and $629,573 respectively. For the three months ended September 30, 2007 and 2006, the Company incurred advertising expenses of $91,420 and $207,742 respectively.

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2.21 Reclassifications

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

3. EQUITY SECURITIES HELD FOR TRADING INVESTMENT

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Quoted equity security, at fair value	$ 5,934,000	$ --

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 impairment loss of US$4 million.

The investments in quoted equity securities comprised of 69,000,000 common shares of PT Agis at the market value of $0.086 per share.

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:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Prepayments	$ 202,076	177,278
Prepayment for investment	3,733,333	--
Deposits	193,483	172,882
Other receivables	122,072	189,444
	$ 4,250,964	539,604

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Office equipment	$ 781,254	721,085
Motor vehicle	112,563	11,000
Furniture, fixture and fittings	589,773	556,069
Set-top boxes	830,828	265,681
	2,314,418	1,553,835

Accumulated depreciation	(744,218)	(338,091)
	$ 1,570,200	$ 1,215,744

Depreciation expense was $406,141 for the nine months ended September 30, 2007 and $147,781 for nine months ended September 30, 2006.

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6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
INDEFINITE LIVES		
Film library	$ 17,729,172	$ 17,674,378
Software license	2,420,227	2,420,227
	20,149,399	20,094,605
DEFINITE USEFUL LIVES		
Film library	5,224,078	2,947,564
Gaming license	7,090,000	7,090,000
Product development expenditures	678,616	669,529
	12,992,694	10,707,093
Accumulated amortization	(4,222,994)	(1,914,815)
	8,769,700	8,792,278
	$ 28,919,099	$ 28,886,883

Intangible assets purchased and have indefinite lives are stated at cost less impairment losses are tested for impairment at least annually in accordance with the provisions of FASB Statement No. 142, Goodwill and Other Intangible Assets.

FILM LIBRARY WITH INDEFINITE LIVES

Intangible assets of the Company which have been classified as having indefinite useful lives relate to film library rights acquired for perpetuity by the Company.

Film costs are stated at the lower of estimated net realizable value determined on an individual film basis, or cost. Film costs represent the acquisition of film rights for cash.

The Company maintains distribution rights to these films for which it has no financial obligations to third parties.

The Company is currently directing all its time and efforts towards building its broadband business.

The Company evaluates the recoverability of its long lived assets in accordance with the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and the Intangible Assets," in which intangible assets purchased and which have indefinite lives are stated at cost less impairment losses and are tested for impairment at least annually.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The use of a discounted cash flow model often involves the use of significant estimates and assumptions. Estimates are based upon assumptions about future demand and market conditions and can vary significantly. When necessary, the Company uses internal cash flow estimates, quoted market prices or appraisals, as appropriate, to determine fair value. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The estimation of fair value is in accordance with AICPA Statement of Position 00-2, Accounting by Producers and Distributors of Film. Actual results may differ from estimates and as a result the estimation of fair values may be adjusted in the future.

Valuations were performed for the assessments of impairment of the Company's 100% ownership of the film library, which reflected a higher value from its cost. The methods of valuation used by the Company consisted of a discounted cash flow model, as well as sales transactions comparison method and market earnings/multiples method. Based on careful analysis of information available, the estimation for the investment value of the film library currently ranges from $400 million to $663 million.

ASSETS WITH DEFINITE USEFUL LIVES

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. 144, Accounting for Impairment or Disposal of Long-Lived Assets. Such intangible assets are amortized over the period of the contract, which is two 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 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 developments costs will be useful for up to five years before additional significant development needs to be done.

Amortization expense was $2,308,179 for the nine months ended September 30, 2007 and $716,125 for the nine months ended September 30, 2006.

7. ASSOCIATE

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Fair value of investment in associate	$ 3,693,650	$ --
Goodwill	1,272,465	--
Share of post-acquisition loss	(8,827)	--
	$ 4,957,288	$ --

Details of the Company's associate at September 30, 2007 are as follows:

Name of Business: 121 View Corporation (SEA) Ltd

Place of Incorporation: British Virgin Islands

Principle of Activity: Digital signage solutions

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Proportion of Ownership Interest :	30.1%	25.0%

One of the directors of the Company has interests in the associated company and one of the directors of the Company is also a director in the associated company.

On April 20, 2007, M2B World Asia Pacific Pte. Ltd subscribed for additional 0.2% interest in the investee company, for an investment of $66,115.

Summarised financial information in respect of the Company's associate is set out below:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Total assets	$ 9,658,949	$ --
Total liabilities	(297,502)	--
Net assets	$ 9,361,447	$ --
Company's share of associate's net assets	$ 2,817,796	--
Revenue	$ 152,684	--
Loss for the period	$ (27,537)	--
Company's share of associate's loss for the period	$ (8,827)	--

8. AVAILABLE-FOR-SALE EQUITY SECURITIES

Available-for-sale equity securities consist of the following:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Quoted equity securities	$ 5,823,136	$ 5,676,074
Unquoted equity securities	3,282,277	6,482,277
	$ 9,105,413	$ 12,158,351

The investments in quoted equity securities comprised of 36,428,571 common shares of Auston International Group Ltd (Auston). As of September 3, 0007, the market value of the Auston shares was $0.16 per share.

The unquoted equity securities classified as available-for-sale, with a carrying value of $3,282,277 and $6,482,277 as of September 30, 2007 and December 31, 2006, respectively, are measured at cost less impairment losses as there is no quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate.

The Company explores other alternatives and considers using other valuation techniques to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties. However, as the key investments held by the Company operate in Singapore, there are no established markets in Singapore for similar investments for the Company to obtain comparables and observable data to carry out a reliable fair valuation.

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9. COMMITMENTS

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

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
CAPITAL COMMITMENTS:		
Contracted but not provided for		
Film library	$ 4,294,375	$ 4,254,372
Set-top boxes	2,567,340	2,562,000
Other equipments	499,863	--
	$ 7,361,578	$ 6,816,372

The Company has several noncancelable operating leases, primarily for office spaces, that expire over the next five years.

As of September 30, 2007, the Company has commitments for future minimum lease payments under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) as follows:

	OPERATING LEASES
Year ending December 31,	
2007	111,149
2008	463,796
2009	189,729
Total minimum lease payments	$ 764,674

Rent expense totaled $252,585 for the nine months ended September 30, 2007 and 150,723 for the nine months ended September 30, 2006.

10. CAPITAL STOCK

(a) Common stock issued for services

On March 19, 2007, the Company issued 40,000 shares of common stock in a private placement at a price of $1.50 per share for a total amount of $60,000 for services rendered to the Company.

(b) Common stock issued to employees

On December 20, 2006, 420,000 shares of common stock were approved for issuance at a price of $0.45 a share to its employees. These shares were issued on March 2, 2007 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.

(c) Common stock issued for acquisition of investment

On July 11, 2007, 5,333,333 shares of common stock of the Company were approved for issuance for the acquisition of an equity investment in a company. The market value of the Company's shares at July 11, 2007 was $0.70 per share.

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11. INCOME TAXES

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

The Company had available approximately $5,234,949 of unused U.S. net operating loss carry-forwards at September 30, 2007, 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 September 30, 2007 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 $nil of unused Singapore capital allowance carry-forwards at September 30, 2007, 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.

12. 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.

2007	Entertainment	Digit Gaming	Other	Total

Revenues from external customers	$ 15,036,991	$ 16,481,642	$ --	$ 31,518,633
Interest revenue	$ 36,489	$ --	$ --	$ 36,489
Interest expenses	$ 678	$ --	$ --	$ 678
Depreciation and amortization	$ 2,490,403	$ 223,917	$ --	$ 2,714,320
Segment profit	$ 8,135,309	$ 320,323	$ --	$ 8,455,632
Segment assets	$ 53,361,216	$ 7,325,817	$ 2,423,518	$ 63,110,551
Expenditures for segment assets	$ 3,101,835	$ --	$ --	$ 3,101,835

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Reconciliation :-

REVENUES	
Total revenues for reportable segments	$ 31,518,633
Other revenue	$ --
Total consolidated revenues	$ 31,518,633
INTEREST REVENUE	
Total interest revenue for reportable segments	$ 36,459
Corporate interest revenue	$ 30
Total consolidated interest revenue	$ 36,489
INTEREST EXPENSES	
Total interest expenses for reportable segments	$ 678
Corporate interest expenses	$ --
Total consolidated interest revenue	$ 678
PROFIT OR LOSS	
Total loss for reportable segments	$ 8,455,632
Corporate expenses	$ (285,367)
Gain on dilution of interest in subsidiary	$ 2,483,871
Loss on valuation for held for trade investment	$ (4,002,000)
Share of loss of associate	$ (8,827)
Income before income tax	$ 6,643,309
ASSETS	
Total assets for reportable segments	$ 60,687,033
Other assets	$ 2,423,518
Total consolidated assets	$ 63,110,551
EXPENDITURES FOR SEGMENT ASSETS	
Total expenditures for assets for reportable segments	$ 3,101,835

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AMARU, INC. AND SUBSIDIARIES
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12. SEGMENT REPORTING (Cont'd)

2006

	Entertainment	Digit Gaming	Other	Total
Revenues from external customers	$ 6,305,460	$ 17,310,828	$ 9,794	$ 23,626,082
Interest revenue	$ 40,022	$ --	$ --	$ 40,022
Interest expense	$ --	$ --	$ --	$ --
Depreciation and amortization	$ 639,986	$ 223,920	$ --	$ 863,906
Segment profit	$ 2,765,175	$ 193,651	$ 9,974	$ 2,968,620
Segment assets	$ 29,445,518	$ 9,530,692	$ 4,484,626	$ 43,460,836
Expenditures for segment assets	$ 17,969,573	$ --	$ --	$ 17,969,573

Reconciliation :-

REVENUES	
Total revenues for reportable segments	$ 23,616,288
Other revenue	$ 9,794
Total consolidated revenues	$ 23,626,082
INTEREST REVENUE	
Total interest revenue for reportable segments	$ 40,022
Corporate interest revenue	$ 69,314
Total consolidated interest revenue	$ 109,336
PROFIT OR LOSS	
Total profit for reportable segments	$ 2,968,620
Corporate expenses	$ (425,183)
Income before income tax	$ 2,543,437
ASSETS	
Total assets for reportable segments	$ 38,976,210
Other assets	$ 4,484,626
Total consolidated assets	$ 43,460,836
EXPENDITURES FOR SEGMENT ASSETS	
Total expenditures for assets for reportable segments	$ 17,969,573

Following table presents revenues earned from customers located in different geographic areas. Property and equipment is grouped by its location.

2007	ASIA PACIFIC	UNITED STATES	OTHER	TOTAL
Revenues from external customers	$ 31,518,290	$ 343	$ --	$ 31,518,63
Property and equipment, net	$ 1,244,145	$ 230,655	$ 95,400	$ 1,570,20

2006	ASIA PACIFIC	UNITED STATES	OTHER	TOTAL
Revenues from external customers	$ 23,625,998	$ 84	$ --	$ 23,626,08
Property and equipment, net	$ 738,611	$ 174,199	$ 85,000	$ 997,81

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13. 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 Company entered into the following transactions with the associate:

	FOR THE NINE MONTHS ENDED		FOR THE THREE MONTHS ENDED	
	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006	SEPTEMBER 30, 2007	SEPTEMBER 30, 2006
Marketing	$ 110,537	$ --	$ 28,088	$ --

14. SUBSEQUENT EVENTS

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.

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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

The Company 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 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.

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

OVERVIEW

The key business focus of the Company is to establish itself as the leading provider and creator of a new generation Of Entertainment-on-Demand 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 both education on-demand and 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 games operations.

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 on-demand on Broadband channels, Internet portals and 3G devices across the globe, for specific and identified viewer lifestyles, demographics and interests. Entertainment and web visit experience is maintained throughout from the initial viewing experience to on-line shopping and payment checkout 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.

SERVICES: Broadband technology allows us to deliver the following services::

- 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 hand phones (Wireless Technology)
- E-Commerce or online shopping - linked interactively to the VOD platforms on broadband. Consumers choose to buy products online 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 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, which include video streaming, video storage and web servers in Singapore and the U.S. 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.

PRODUCTS: We offer the following products on the VOD platform:

- Entertainment - Consumers access movies, music, glamour and fashion, lifestyle (hobbies, cooking, and 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.
- E-Commerce - Consumers can purchase products online, view product videos and make payments online.

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

1. Advertising i.e. program and 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 games micro-payments

Currently, the Company is in the process of revamping it's Broadband websites. The current Broadband websites and products, which may change from time to time are highlighted below.

WOWtv - Web TV service

WOWtv, a broadband entertainment web TV service, has embarked on launching its site across the Asia Pacific, streaming more than 50 channels of Hollywood and Asian entertainment via video on-demand, providing E-commerce services and an original online games platform. Its video on-demand content covers diverse genres such as movies, television dramas, variety shows, documentaries, fashion, lifestyle, sports, edutainment and more.

Beginning with Singapore and Indonesia, WOWtv is set to launch across the Asia Pacific, expanding its growing presence to an additional 5 territories, namely Australia, China, Japan, Taiwan and Malaysia within the next 12 months. No assurance can be given that such plans will materialize as planned.

Leveraging on the Strengths of WOWtv

WOWtv is a cutting-edge, innovative platform that will establish a first mover advantage to become the first Pan-Asian broadband entertainment services provider. Its strengths and competitive advantages include:

Content Aggregation, Distribution and Syndication - with the technology and expertise to stream with high clarity and also manage operations and costs well.

Premium Content Portfolio - with a vast library of worldwide broadband rights of film and content, copyright ownership and exclusivity on the majority of broadband titles.

The content portfolio is also wide, with a classic library of 5,000 titles over more than 50 channels.

Strong relationships in Asia and Hollywood - with good connections to enable it to make further in-roads to content acquisition.

Broadband Distribution Deals - with secured major broadband distribution deals with major media companies.

Experience in Online Games - with exclusive licenses to several Korean game titles for several Asian markets.

Marketing Strategy of WOWtv

WOWtv's marketing strategy is to offer viewers a plethora of video on-demand entertainment over three segments on its website, where consumers will get a chance to sample its products and services in different tiers - FREE, BASIC and VALUE.

To date, WOWtv has more than 15,000 registered subscribers - since its soft launch in August 2007.

M2Btv - Global Broadband TV (IPTV) Service

The Company offers multiple TV channels, delivered live over the Internet, to television sets in homes that have a high-speed internet connection and IP set top boxes.

The service has been in operation in Singapore Since the second half of 2006 and more than 50 channels are made available to customers. Anyone subscribing for a broadband access with local Internet service provider is able to tune in to the service on a subscription basis. Subscribers are provided with a set-top box that connects to their broadband modems instead of the cable TV point at home. They are able to watch the programs on their television sets.

BROADBAND SERVICES

The Company has an 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 programming of video, animation, streaming and flash content to multiple destinations.

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 reach consumers and target audiences within the premises. This is another method by which M2B is continuing to 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.

DIGIT GAMES

The Company has an 18-year license to conduct nation wide lottery in Cambodia. The Company also signed an agreement with Allsports Limited, a British Virgin Islands company, to operate, administer, and manage the lottery digit games activities in Cambodia.

E-TRAVEL SERVICES

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 continues 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 through its broadband streaming entertainment into the worldwide travel arena.

The M2B World Travel Website aims to provide 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.

The video e-travel portal brings an extensive range of travel options to our viewers and gives the Company an entry into the travel and tourism market; it 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 Company plans to launch the M2B travel site in 2007, and the service is subject to the Company completing the set up of its server farm to host the travel platform. No assurances can be made that such plan will materialize as planned.

RESULTS OF OPERATIONS

For the nine months and three months ended September 30, 2007 compared with the nine months and three months ended September 30, 2006, respectively.

Financial Statement

- Revenue for the quarter ended September 30, 2007 was $6,024,153 compared with $9,315,116 for the same period in 2006.

- Net loss for the quarter ended September 30, 2007 was $9,662,777 compared with net income of $917,439 for the same period in 2006.

- The Company's cash balance was $2,602,380 at September 30, 2007 compared with $2,294,984 at December 31 2006.

Revenue

Revenue for the nine months ended September 30, 2007 increased by $7,892,551

(33.41%), from $23,626,082 for the nine months ended September 30, 2006 to $31,518,633 for the nine months ended September 30, 2007. The revenue for the three months ended September 30, 2007 decreased by $3,290,963 (35.33%), from $9,315,116 to $6,024,153 for the three months ended September 30, 2006 and 2007, respectively.

This increase in revenue for the nine months ended September 30, 2007 was mainly contributed by the entertainment segment which included the completion and delivery of the IPTV platform in Indonesia. This resulted in a revenue of $15 million in the nine months ended September 30, 2007. The completion and delivery of the IPTV platform in Indonesia comprised of the hardware, software and middleware, and supply and programming of content.

The digit games in Cambodia incurred a decrease in revenue of $829,186 (a drop of 4.79%) for the nine months ended September 30, 2007 from $17,310,828 in September 30, 2006 to $16,481,642 in September 30, 2007, mainly due to more holidays and increased competition from new digit games players in the market in the first nine months of 2007 as compared to the same period in 2006.

The decrease in the revenue for the three months ended September 30, 2007 was mainly due to the decrease in the entertainment segment as compared to the three months ended September 30, 2006, revenue by the entertainment segment reduced by $3,096,329(99.93%) from $3,098,631 in the three months ended September 30, 2006 as compared to $2,302 in the three months ended September 30, 2007. The Company was unable to secure any new advertising or content syndication contracts for the three months ended September 2007 as it had done in the same three months ended September 2006.

Cost of Sales

Cost of sales for the nine months ended September 30, 2007 was $17,553,771 which increased by $497,557 (2.92%) from $17,056,214 for the nine months ended September 30, 2006.

Cost of sales for the three months ended September 30, 2007 was $6,261,636 which increased by $178,725 (2.94%) from $6,082,911 for the three months ended September 30, 2006.

Increase in cost of sales of $497,557 and $178,725 for the nine months and three months ended September 30, 2007 respectively was mainly attributed to the delivery of the IPTV platform in Indonesia, which included the hardware, software and middleware, and supply and programming of content, and the launch of the new web TV service (called WOWtv) in Singapore.

As a proportion of revenue, the cost of sales for the nine months ended September 30, 2007 was 56% as compared to 72% for the nine months ended September 30, 2006. This was due to an increase in the entertainment segment revenue resulting from the delivery of the IPTV platform in Indonesia.

As a proportion of revenue, the cost of sales for the three months ended September 30, 2007 was 104% as compared to 65% for the three months ended September 30, 2006. This was due to the decrease in the entertainment segment revenue for the three months ended September 30, 2007.

Distribution Expenses

Distribution expenses for the nine months ended September 30, 2007 at $677,357 were lower by $180,055 (21%) as compared to the amount of $857,412 incurred for the nine months ended September 30, 2006.

The lower distribution expenses were attributed to decreased spending for marketing and promotions which decreased by $220,716 (35%), from $629,573 for the nine months ended September 30, 2006 to $408,857 for the nine months ended September 30, 2007.

Distribution expenses for the three months ended September 30, 2007 at $171,704 were lower by $126,179 (72.36%) as compared to the amount of $297,883 for the three months ended September 30, 2006.

The lower amount spent for the three months ended September 30, 2007 was attributed to the lower expenditure on advertising and marketing, which decreased by $116,322, (56%) from $207,742 to $91,420 for the three months ended September 30, 2006 and 2007, respectively.

General And Administrative Expenses

Administration expenses for the nine months ended September 30, 2007 at $5,152,899 were higher by $1,874,544 (57.18%) as compared to the amount of $3,278,355 incurred for the nine months ended September 30, 2006.

Administration expenses for the three months ended September 30, 2007 at $1,631,684 were higher by $35,340 (2.21%) as compared to the amount of $1,596,344 incurred for the three months ended September 30, 2006.

The increase in administrative expenses for the nine months and three months ended September 30, 2007 was attributed mainly to increases in:

o Depreciation and license amortization had increased by $1,850,414 (214%), from $863,906 for the nine months ended September 30, 2006 to $2,714,320 for the nine months ended September 30, 2007. For the three months ended September 30, 2007, depreciation and licensing cost had increased by $358,901 (78%) from $459,718 to $818,619 for the three months ended September 30, 2006 and 2007 respectively. The increase was mainly attributed to the increase in license amortization of the movies content which have a definite life and which were acquired for the newly launch Broadband TV service.

- o Staff costs. Staff costs had increased by $296,928 (33%) from $886,668 for the nine months ended September 30, 2006 to $1,183,596 for the nine months ended September 30, 2007. For the three months ended September 30, 2007, staff cost had decreased by $13,492 (3.3%) from $408,642 to $395,150 for the three months ended September 30, 2006 and 2007 respectively. The overall increase in staff cost for the nine months period ended September 30, 2007 resulted from the increase in the number of professional employees hired. Staff costs were however trimmed and lowered in the third quarter for the three months ended September 30, 2007 in order to maintain cost efficient operations.

Income From Operations

The Company reported an income from operations of $8,134,606 for the nine months ended September 30, 2007 as compared to the income from operations of $2,434,101 for the nine months ended September 30, 2006. For the three months ended September 30, 2007, the loss from operations was $2,040,871 as compared to the gain of $1,337,978 for the three months ended September 30, 2006. The significant increase in the income from operations for the nine months ended September 30, 2007 was due to the significant increase in the entertainment segment revenue for the nine months ended September 30, 2007. However there was a drop in the entertainment segment revenue for the three months ended September 30, 2007 as compared to the three months ended September 30, 2006.

Net Income

For the nine months ended September 30, 2007, net income was $5,740,845 which increased by $3,602,947 (169%) from $2,137,898 for the nine months ended September 30, 2006. For the three months ended September 30, 2007, net loss was $9,662,777 which decreased by $10,580,216 (1,153%) from net income of $917,439 for the three months ended September 30, 2006.

The significant increase in net income for the nine months ended September 30, 2007 was mainly attributed to increase in the entertainment segment revenue. The increase was partly attributed to the gain on dilution of the Company's interest in a subsidiary, M2B World Asia Pacific Pte. Ltd. by issuing shares to the private investors at a premium. The increase in net income was partly offset by the loss of the fair value of an investment (equity securities) held for trading, due to a drop in the market value of the shares.

The decrease for the three months ended June 30, 2007 was mainly attributed to the net loss of the fair value of an investment (equity securities) which resulted in a loss of $8,322,000 in the fair value of the investment, due to a drop in the market value of the shares.

Liquidity And Capital Resources

The Company had cash of $2,602,380 at September 30, 2007 as compared to cash of $2,294,984 at December 31, 2006.

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 September 30, 2007, 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 2007 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 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 81.7%.

On January 15, 2007, the Company through its subsidiary, Amaru Holdings Limited (Amaru Holdings), a British Virgin Islands corporation, entered into a sale and purchase agreement together with other sellers (the "Agreement") with Auston International Group Ltd., a Singapore company (Auston) to sell to Auston its majority owned subsidiary, M2B World Asia Pacific Pte Ltd., together with its subsidiary, M2B World Holdings Limited (collectively, M2B Asia). Auston is a company trading on the Singapore Stock Exchange. The Agreement provides for the sale of 42,459,978 shares of M2B World Asia Pacific Pte. Ltd., its total issued and outstanding capital. As the consideration for M2B World Asia Pacific Pte. Ltd. shares, Auston agreed to issue a total of 660 million new ordinary shares of Auston to M2B World Asia Pacific Pte. Ltd. shareholders. The Auston shares are valued at S$0.25 per share.

The Agreement is subject to certain conditions precedent, including, but not limited to the shareholder approval of the transaction by Auston shareholders, the approval of the Singapore Stock Exchange and other related regulatory approvals of both parties.

Amaru Holdings is required to deliver a valuation report by an independent auditor to Auston confirming that the value of the assets of M2B World Asia Pacific Pte. Ltd. is no less than that of the amount of consideration to be paid by Auston.

On April 23, 2007, M2B World Holdings Limited ("M2B World"), a British Virgin Islands corporation entered into a sale and purchase agreement (the "Agreement") with P T Agis TBK, a company incorporated in Indonesia ("Agis") to sell to Agis certain assets, including the domain name under which the IPTV business will operate in Indonesia and the transfer and license of IPTV platform (collectively, the "Assets"). M2B World is a wholly-owned subsidiary of M2B World Asia Pacific Pte Ltd. which is a 81.7% owned by Amaru Holdings Limited. Amaru Holdings Limited is a wholly-owned subsidiary of Amaru Inc., a Nevada corporation (the "Company"). Agis is trading on the Indonesia Stock Exchange. The Agreement provides for the consideration of US$15 million for the sale of the Assets based on the mutually agreed valuation of such Assets. Such consideration is to be provided through the issuance of 75 million of Agis shares at an agreed price of IDR 1300 per share, and such number of shares of a to be formed investment holding wholly-owned subsidiary of Agis that shall equal to 50% of beneficial holdings of such subsidiary. The sale had been completed by September 30, 2007.

On July 10, 2007, the Company together with one of the subsidiaries of the Company, Tremax International Limited entered into a sale and purchase agreement (the "Agreement") with Domaine Group Limited, a British Virgin Islands corporation (the "Vendor"), for the acquisition of CBBN Holdings Limited ("CBBN Holdings"). CBBN Holdings is a 80% beneficial owner of Cosmactive Broadband Networks Co. Ltd ("CBN"), which is a broadband service provider incorporated in Taiwan. The purchase consideration shall be satisfied in full by the issuance of 5,333,333 of common stock of the Company.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 systems 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 BIRD FLU PANDEMIC OR SIMILAR PUBLIC HEALTH DEVELOPMENTS

Any future outbreak of the bird 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

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). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation was conducted under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedure were effective as of September 30, 2007. There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2007, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's annual report on Form 10-KSB for the year ended December 31, 2006 did not include (nor does this quarterly report on Form 10-Q include) an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report in the annual report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in the annual report.

PART 2: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On April 23, 2007, a company which provided public relations services filed a lawsuit against M2B World, Inc. for breach of contract for an amount of $72,649. In the opinion of Management, the outcome of this legal proceeding will not have a material effect on the Company's consolidated financial statements.

ITEM 1A: RISK FACTORS

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 depends 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.

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

On March 19, 2007, the Company issued 40,000 shares of common stock through its private placement of shares of common stock at a purchase price of $1.50 per share for a total amount of $60,000 to "accredited investors", as that term is defined in Regulation D of the Securities Act of 1933.

On July 11, 2007, the Company issued 5,333,333 million shares of common stock at a market value of $0.70 per share for a total amount of $3,733,333. The shares were issued to Domaine Group Limited, a company incorporated in the British Virgin Islands and is the legal and beneficial owner of the 100% of the entire issued and paid up capital of CBBN Holdings Limited, which the Company intends to acquire.

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 UPON SENIOR SECURITIES

None

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

None

ITEM 5: OTHER INFORMATION

None

ITEM 6: EXHIBITS:

A - Exhibits:

Exhibit 31	CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT
Exhibit 32	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(b) OF THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ADOPTED 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)

October 31, 2007	/s/ Colin Binny
Date	President, CEO & CFO