CENUCO INC
Form 10QSB
February 13, 2004

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

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal quarter ended:	December 31, 2003
Commission file number:	033-25900

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

DELAWARE	75-2228820
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6421 CONGRESS AVENUE, SUITE 201
BOCA RATON, FLORIDA 33432
(Address of principal executive offices)
(Zip code)

(561) 994-4446
(Registrant's telephone number, including area code)

Indicate by check mark whether 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

APPLICABLE TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date:

On February 10, 2004, the issuer had outstanding 10,146,605 shares of common stock, $.001 par value per share.

CENUCO, INC. AND SUBSIDIARIES

FORM 10-QSB
QUARTERLY PERIOD ENDED DECEMBER 31, 2003
INDEX

CENUCO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2003 (Unaudited)	June 30, 2003
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 103,847	$ 295,088
Short-term Investment	709,905	701,614
Tuition Receivable - current (Net of Allowance for Doubtful Accounts of $88,222 and $108,000, respectively)	710,327	870,261
Accounts Receivable (Net of Allowance for Doubtful		

Accounts of $4,027 and $9,027, respectively)	20,384	19,262
Inventories	23,185	32,814
Deferred Recruiting Fees	30,947	45,852
Other Current Assets	33,862	28,122
Total Current Assets	1,632,457	1,993,013
PROPERTY AND EQUIPMENT:		
Computer Equipment and Software	197,569	170,225
Furniture, Fixtures and Office Equipment	50,699	50,699
Leasehold Improvements	3,051	3,051
	251,319	223,975
Less: Accumulated Depreciation	(121,778)	(98,646)
Total Property and Equipment	129,541	125,329
OTHER ASSETS:		
Tuition Receivable - non-current (Net of Allowance for Doubtful Accounts of $351,196 and $346,000, respectively)	503,643	542,310
Deferred Recruiting Fees	39,387	36,121
Security Deposits	8,642	8,642
Total Other Assets	551,672	587,073
Total Assets	$ 2,313,670	$ 2,705,415

See accompanying notes to consolidated financial statements

-3-

CENUCO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	December 31, 2003	June 30, 2003
	(Unaudited)	
CURRENT LIABILITIES:		
Accounts Payable	$ 28,556	$ 21,762
Unearned Revenues	1,086,718	984,396
Accrued Recruiting Fees	7,494	20,544
Other Accrued Expenses	33,366	90,695
Total Current Liabilities	1,156,134	1,117,397

NON-CURRENT LIABILITIES:		
Unearned Revenues	1,362,078	1,528,502
Accrued Recruiting Fees	8,240	16,184
Total Non-Current Liabilities	1,370,318	1,544,686
Total Liabilities	2,526,452	2,662,083
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock ($.001 Par Value; 1,000,000 Shares Authorized) No Shares Issued and Outstanding)	-	-
Common Stock ($.001 Par Value; 25,000,000 Shares Authorized; 9,369,141 and 8,981,061 Shares Issued and Outstanding at December 31, 2003 and June 30, 2003, respectively)	9,369	8,981
Common Stock Issuable (777,464 shares)	777	-
Additional Paid-in Capital	2,829,423	1,671,827
Accumulated Deficit	(2,253,926)	(1,611,476)
Deferred Compensation	(798,425)	(26,000)
Total Stockholders' Equity (Deficit)	(212,782)	43,332
Total Liabilities and Stockholders' Equity (Deficit)	$ 2,313,670	$ 2,705,415

See accompanying notes to consolidated financial statements

CENUCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended December 31,		For the Six Months December 31,	
	2003	2002	2003	2
	(Unaudited)	(Unaudited)	(Unaudited)	(Unau
NET REVENUES:				
Tuition and Tuition-related	$ 244,705	$ 371,553	$ 459,004	$ 6
Wireless Products and Services	36,930	109,361	89,717	2
NET REVENUES	281,635	480,914	548,721	9
COSTS AND EXPENSES:				
Cost of Equipment Sales	5,290	49,006	14,373	1
Instructional and Educational Support	18,103	32,806	26,670	
Research and Development	2,930	1,639	20,571	
Selling and Promotion	62,814	102,299	98,142	2
General and Administrative	599,107	633,431	1,040,260	1,1

Total Operating Expenses	688,244	819,181	1,200,016	1,5
LOSS FROM OPERATIONS	(406,609)	(338,267)	(651,295)	(6
OTHER INCOME:				
Interest Income	5,063	4,703	8,845	
LOSS BEFORE INCOME TAXES	(401,546)	(333,564)	(642,450)	(5
INCOME TAX BENEFIT (EXPENSE):				
Deferred Income Tax	-	82,460	-	1
Total Income Tax Benefit (Expense)	-	82,460	-	1
NET LOSS	$ (401,546)	$ (251,104)	$ (642,450)	$ (3
Net Loss Per Common Share - Basic	$ (0.04)	$ (0.03)	$ (0.07)	$
Weighted Common Shares Outstanding - Basic .	9,224,487	8,705,656	9,104,605	8,7

See accompanying notes to consolidated financial statements

-5-

CENUCO, INC. AND SUBSIDIAIRES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended December 31,	
	2003	2002
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (642,450)	$ (397,924)
Adjustments to Reconcile Net Loss to Net Cash Flows Used in Operating Activities:		
Depreciation	23,132	17,985
Stock-Based Compensation	277,336	18,474
Deferred Income Taxes	-	(198,724)
Provision for Doubtful Accounts	(19,548)	127,123
(Increase) Decrease in:		
Tuition Receivable	179,271	280,621
Accounts Receivable	3,878	(24,917)
Inventories	9,629	50,458
Deferred Recruiting Fees	14,905	1,371
Other Current Assets	(5,740)	(6,892)
Other Assets:		
Tuition Receivable - Non-current	33,878	(275,029)

Deferred Recruiting Fees - Non-current ...	(3,266)	(249)
Increase (Decrease) in:		
Accounts Payable	6,794	7,369
Unearned Revenues	102,322	118,625
Accrued Recruiting Fees	(13,050)	(27,952)
Other Accrued Expenses	(48,329)	738
Other Liabilities:		
Unearned Revenues - Non-current	(166,424)	50,631
Accrued Recruiting Fees - Non-current ...	(7,944)	(4,097)
Net Cash Flows Used in Operating Activities	(255,606)	(262,389)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Short-term Investment	(8,291)	-
Acquisition of Property and Equipment	(27,344)	(37,817)
Net Cash Flows Used in Investing Activities	(35,635)	(37,817)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Sale of Common Stock	100,000	-
Net Decrease in Cash and Cash Equivalents	(191,241)	(300,206)
Cash and Cash Equivalents - Beginning of Year	295,088	1,529,851
Cash and Cash Equivalents - End of Period	$ 103,847	$ 1,229,645

See accompanying notes to consolidated financial statements

CENUCO, INC. AND SUBSIDIAIRES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	For the Six Months Ended December 31,	
	2003	2002
	(Unaudited)	(Unaudited)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ -	$ -
Income Taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for debt	$ 9,000	$ -

Common stock issued for future services	$ 1,195,585	$ -

See accompanying notes to consolidated financial statements

-7-

CENUCO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Currently, Cenuco, Inc., (a Delaware corporation) and Subsidiaries (the "Company") is engaged in two different business segments:

The Company has established a technology subsidiary called Cenuco, Inc., a Florida corporation ("Cenuco"). Cenuco is a wholly-owned subsidiary that develops wireless e-learning platform and technologies in the academic, consumer and corporate marketplaces. We are also engaged in the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services, though our subsidiary.

Additionally, through our subsidiary Barrington University, we are engaged in the online distance learning industry with a focus on the international, mid-career adult and corporate training markets. Our management has been engaged in this business since 1993, through various predecessor entities (the "Predecessors"). We own and operate an online distance learning university and nutrition academy that offers licensed certificate and degree programs in a variety of concentrations to students in over 80 countries worldwide. We are licensed by the State Education Departments of the States of Alabama and Florida, respectively. In addition to online training, we develop wireless applications for schools and enterprise companies.

Our executive office is located at 6421 Congress Ave, Suite 201, Boca Raton, Florida 33487 and we have an administrative office at 801 Executive Park Drive, Mobile, Alabama 36606.

Our reportable segments are strategic business units that offer different products, which complement each other. They are managed separately based on the fundamental differences in their operations.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying consolidated financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the periods presented. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended June 30, 2003 and notes thereto contained in the Company's report on Form 10-KSB as filed with the SEC. The results of operations for the six months ended December 31, 2003 are not necessarily indicative of the results for the full fiscal year ending June 30, 2004.

Certain reclassifications have been made to the prior period's consolidated statements of operations to conform to the current period's presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVENTORIES

Inventories, consisting of security cameras and equipment, are stated at the lower of cost or market utilizing the first-in, first-out method.

REVENUE RECOGNITION

In connection with the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services, the Company recognizes revenue as services are performed or products are delivered. The Company has executed a distribution agreement whereby the distributor may purchase wireless product on consignment. Any sales made to the distributor under this agreement will be recorded as a deferred revenue liability until such time as the distributor has sold the product at which time the Company will recognize the related revenues.

The Company recognizes tuition and registration revenues from its online distance learning segment based on the number of courses actually completed in each student's course of study. For example, if a student completes three out of his nine required courses, the Company will recognize 33% of the tuition regardless of the amount of time that the student has taken to fulfill these requirements.

Tuition refunds are based on the date that the student cancels and the policy is as follows: If the student withdraws within 5 calendar days after midnight of the day the student signs the Enrollment Agreement (Full Refund Period) the student will receive a full refund with no further obligation. If the student cancels after the Full Refund Period but before the school receives the first completed lesson, the student will be charged a registration fee of $150 and the student will receive a full refund less the registration fee charge. If the student cancels after the school receives the first completed lesson, the student's tuition obligation will be their registration fee plus a portion of the remaining tuition as defined below.

PERCENTAGE OF COURSE COMPLETED	AMOUNT OF TUITION OBLIGATED
10% of less	10% of tuition
Between 11% - 25%	25% of tuition
Between 26% - 50%	50% of tuition
Over 50%	Obligated for full tuition.

When a student withdraws, the Company writes off the remaining tuition receivable balance against the remaining unearned revenue balance and records a net increase or decrease to net revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STOCK OPTIONS

The Company accounts for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. The Company accounts for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

EARNINGS (LOSS) PER COMMON SHARE

Basic net earnings (loss) per share equals net earnings (loss) divided by the weighted average shares outstanding during the year. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be antidilutive. The reconciliation between the computations is as follows:

	Net Loss	Basic Shares	Basic EPS
Six months ended December 31, 2003	$ (642,450)	9,104,605	$ (.07)
Six months ended December 31, 2002	$ (397,924)	8,703,562	$ (.05)
Three months ended December 31, 2003 ..	$ (401,546)	9,224,487	$ (.04)
Three months ended December 31, 2002 ..	$ (251,104)	8,705,656	$ (.03)

The exercise prices of all options granted by the Company equal the market price at the dates of grant. No compensation expense has been recognized. Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant dates consistent with the method of SFAS 123, "Accounting for Stock Based Compensation", the Company's net loss and loss per share would have been changed to the pro forma amounts indicated below for the six months ended December 31, 2003 and 2002:

	For the six months ended December 31,	
	2003	2002
Net loss:		
As reported	$ (642,450)	$ (397,924)
Pro forma	(708,609)	(397,924)
Basic loss per share:		
As reported	(.07)	(.05)
Pro forma	(.08)	(.05)

The above pro forma disclosures may not be representative of the effects on reported net earnings for future years as options vest over several years and the Company may continue to grant options to employees.

CENUCO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 - STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK

On December 10, 2003, the Board of Directors approved an increase in the authorized common shares to 25,000,000.

On December 10, 2003, the Company issued 260,000 shares of common stock to officers of the Company and to independent directors for services rendered. Such shares were valued at their market value on the date of issuance at $.71 per share. The Company recorded compensation of $184,600 related to these services.

On December 10, 2003, in connection with consulting agreements, the Company was to issue 777,464 restricted shares of common stock for services rendered and to be rendered in the future. As of December 31, 2003, these shares had not been issued and are included in common stock issuable on the consolidated balance sheet. The Company valued these shares at their market value on the date of issuance of $.71 per share. In connection with these shares, the Company recorded compensation of $39,980 and deferred compensation of $512,019, which will be amortized over the service period.

On December 31, 2003, in connection with a private placement, the Company sold one unit for $100,000 comprised of 100,000 shares of common stock and warrants entitling the holder to purchase up to 100,000 shares of the Company's common stock, at an exercise price of $1.00. The warrants expire on December 31, 2008.

COMMON STOCK WARRANTS

On December 10, 2003, the Company entered into a thirteen month agreement with two consultants beginning on December 18, 2003. The consultants received an aggregate of 850,000 warrants to purchase shares of the Company's common stock at an exercise price of $1.00 per share. The fair value of this warrant grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions dividend yield of -0- percent; expected volatility of 64 percent; risk-free interest rate of 4.50 percent and an expected holding periods of 5.00 years. In connection with these warrants, the Company recorded compensation expense of $11,456 for the six months ended December 31, 2003 and deferred compensation of $286,406, which will be amortized over the service period. The warrants expire on December 18, 2008.

-11-

CENUCO, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 - SEGMENT INFORMATION

For the three and six months ended December 31, 2003 and 2002, the Company operated in two reportable business segments - (1) the online distance learning industry and (2) the development and sales of wireless solutions and web services. The online distant learning segment provides internet education to student internationally. The latter segment includes development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services. The Company's reportable segments are strategic business units that offer different products, which compliment each other. They are managed separately based on the fundamental differences in their operations. Information with respect to these reportable business segments for the three and six months ended December 31, 2003 and 2002 is as follows:

	For the Three Months Ended December 31, 2003	For the Three Months Ended December 31, 2002	For the Six Months Ended December 31, 2003	For the Six Months Ended December 31, 2002
Net Sales:				
Online distance learning ...	$ 244,705	$ 371,553	$ 459,004	$ 652,172
Wireless solutions	36,930	109,361	89,717	285,268
Total Net Sales	281,635	480,914	548,721	937,440
Costs and Operating Expenses:				
Online distance learning ...	260,739	410,010	440,620	735,348
Wireless solutions	427,505	409,171	759,396	812,157
Total Costs and Operating Expenses	688,244	819,181	1,200,016	1,547,505
Interest Income:				
Online distance learning ...	-	2,222	90	8,990
Wireless solutions	5,063	2,481	8,755	4,427
Total Interest Income ...	5,063	4,703	8,845	13,417
Net Income (Loss):				
Online distance learning ...	(16,034)	(126,327)	18,474	(48,014)
Wireless solutions	(385,512)	(124,777)	(660,924)	(349,910)
Total Net Loss:	$(401,546)	$(251,104)	$ (642,450)	$ (397,924)
Total Assets:				
Online distance learning			$ 1,341,966	$ 2,951,278
Wireless solutions			971,704	1,225,021
			$ 2,313,670	$ 4,176,299

-12-

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

GENERAL

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the consolidated financial statements for the year ended June 30, 2003 and notes thereto contained in the Report on Form 10-KSB of Cenuco, Inc. as filed with the SEC. These financial statements reflect the consolidated operations of Cenuco, Inc. for the six months ended December 31, 2003 and 2002, respectively.

This report on Form 10-QSB contains forward-looking statements. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. We do not have a policy of updating forward-looking statements and thus it should not be assumed that silence over time means that actual events are bearing out as we estimated in such forward-looking statements.

Reflecting the changing focus of our business, we plan to accelerate the development of our suite of fully integrative wireless solutions for the Security, Real Estate and Insurance markets. We have focused on our development of wireless applications, while maintaining our market presence in the distance-learning sector. We have continued to try and expand our online distance- learning programs and have been restructuring and improving our efforts to obtain our goals through increased mentoring programs to facilitate the completion of course work, increased marketing efforts and improvement in our on-line learning technologies. Additionally, we are seeking opportunities to expands our programs in Asia and South America. We have hired additional sales people for our online distance learning segment.

Our wireless segment has produced viable solutions for the real estate and security markets. In addition, we launched our retail line of wireless video monitoring solutions, MommyTrack(TM). For the six months December 31, 2003, revenue from our MommyTrack product amounted to approximately $7,300.

Through Barrington University, our subsidiary, we are engaged in the online distance learning business with a focus on the international, second-career adult and corporate training markets. We currently operate our main school, Barrington University, from Mobile, Alabama, where the State of Alabama Department of Education, Code of Alabama, Title 16-46-1 through 10, licenses the school. We offer degrees and training programs to students in over 90 countries and in multiple languages. The programs are "virtual" in their delivery format and can be completed from a laptop, home computer or through a wireless device.

In addition to degree completion programs, we are focusing on training corporate personnel, continuing education (CE) courses and wireless technology for education, which we believe is a major growth area.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

We are currently developing affordable wireless platforms to provide companies with quality training services for their employees. Our staff works directly with Human Resource departments to ensure the training is scalable and applicable to their employees' needs. Our technology provides seamless information to all employees, regardless if they are in the home, office or out in the field.

We have released other wireless application products that are currently being used in the Security, Real Estate and insurance industries. The software applications are compatible with most existing wireless devices. We expect to release several academic and training solutions in fiscal 2004.

We have received full approval for Sallie Mae funding for our students that qualify for Sallie Mae loans. Sallie Mae has been providing funds for educational loans. Sallie Mae currently owns or manages student loans for more than seven million borrowers and is the nation's leading provider of educational loans.

We operate in two reportable business segments - (1) the development and sales of wireless solutions and web services, and (2) the online distance learning industry. The first segment includes development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services. Our reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations and are discussed separately below.

SEASONALITY IN RESULTS OF OPERATIONS

We experience seasonality in our results of operations from our online distance-learning segment primarily as a result of changes in the level of student enrollments and course completion. While we enroll students throughout the year, December and January average enrollments and course completion and related revenues generally are lower than other quarters due to seasonal breaks in December and January. Accordingly, costs and expenses historically increase as a percentage of tuition and other net revenues as a result of certain fixed costs not significantly affected by the seasonal second quarter declines in net revenues.

We experience a seasonal increase in new enrollments in August of each year when most other colleges and universities begin their fall semesters. As a result, instructional costs and services and selling and promotional expenses historically increase as a percentage of tuition and other net revenues in the fourth quarter due to increased costs in preparation for the August peak enrollments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS

SIX MONTHS ENDED DECEMBER 31, 2003 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2002

CONSOLIDATED RESULTS

The following discussion relates to our consolidated results of operations. Further discussion and analysis of operating results follows and is discussed by segment.

Revenues

For the six months ended December 31, 2003, we had a 41% decrease in earned revenues to $548,721 from $937,440 for the six months ended December 31, 2002.

Cost of Equipment Sales

For the six months ended December 31, 2003 and 2002, we incurred cost of sales related to the sale of equipment of $14,373 and $147,016, respectively.

Instruction and Educational Support

Instruction and educational support expenses related to our online distant-learning segment. For the six months ended December 31, 2003, instructional and educational support expenses decreased by 50% to $26,670 or 4.9% of net revenues as compared to $52,874 or 5.6% of net revenues for the six months ended December 31, 2002.

Selling and Promotion

Selling and promotion expense consists primarily of recruiting fees, advertising, trade show expense, and travel. For the six months ended December 31, 2003, selling and promotion expenses decreased by 54.7% to $98,142 or 17.9% of net revenues as compared to $216,765 or 23.1% of net revenues for the six months ended December 31, 2002.

General and Administrative Expenses

General and administrative expenses, which includes salaries, professional fees, rent, travel and entertainment, insurance, bad debt, and other expenses, were $1,040,260 for the six months ended December 31, 2003 as compared to $1,107,243 for the six months ended December 31, 2002. This amounted to 190.0% of net revenues for the six months ended December 31, 2003 as compared to 118.1% for the six months ended December 31, 2002.

Interest Income

Interest income was $8,845 for the six months ended December 31, 2003 as compared to $13,417 for the six months ended December 31, 2002, a decrease of $4,572.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (Continued)

SIX MONTHS ENDED DECEMBER 31, 2003 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2002

Income Taxes

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. As of December31, 2002, we did not record a valuation allowance on the deferred tax assets because the Company's ability to realize these benefits was "more likely than not". The deferred tax asset was reported in the accompanying balance sheet at December 31, 2002. As of December 31, 2003, the net deferred taxes have been fully offset by a valuation allowance since the Company cannot currently conclude that it is more likely than not that the benefits will be realized. The net operating loss carryforward for income tax purposes of approximately $1,400,000 expires beginning in 2017. Internal Revenue Code Section 382 places a limitation on the amount of taxable income that can be offset by carryforwards after a change in control (generally greater than a 50% change in ownership).

ONLINE DISTANCE LEARNING SEGMENT

REVENUES

For the six months ended December 31, 2003, we had a 29.6% decrease in earned revenues to $459,004 from $652,172 for the six months ended December 31, 2002. The decrease in revenues is due primarily to a decrease in the number of students that have completed courses in our programs at a slower rate than expected. Unearned revenue represents the portion of tuition revenue invoiced but not earned and is reflected as a liability in the accompanying consolidated balance sheets. Since we will recognize tuition and registration revenue based on the number of courses actually completed in each student's course of study, student course completion efforts, if successful, are extremely beneficial to operating results. The general slowdown in course completion by our students had an adverse effect on our revenues. We are making efforts to mentor our students and are encouraging them to complete their respective coursework. These efforts include telephone calls, emails, letters, and the offering of incentives to students. We have recently increased our marketing efforts and we have seen an increase in student enrollment in the quarter ended December 31, 2003 and expect student enrollment to continue increase in the third quarter of fiscal 2004.

Tuition refunds are based on the date that the student cancels and the policy is as follows: If the student withdraws within 5 calendar days after midnight of the day the student signs the Enrollment Agreement (Full Refund Period) the student will receive a full refund with no further obligation. If the student cancels after the Full Refund Period but before the school receives the first completed lesson, the student will be charged a registration fee of $150 and the student will receive a full refund less the registration fee charge. If the student cancels after the school receives the first completed lesson, the student's tuition obligation will be their registration fee plus a portion of the remaining tuition as defined below.

PERCENTAGE OF COURSE COMPLETED	AMOUNT OF TUITION OBLIGATED
10% of less	10% of tuition
Between 11% - 25%	25% of tuition
Between 26% - 50%	50% of tuition
Over 50%	Obligated for full tuition.

RESULTS OF OPERATIONS (Continued)

SIX MONTHS ENDED DECEMBER 31, 2003 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2002

When a student withdraws, we write off the remaining tuition receivable balance against the remaining unearned revenue balance and recorded a net increase or decrease to net revenues. The effect on net revenues was approximately a decrease of approximately $2,000 for the six months ended December 31, 2003.

EXPENSES

Instruction and Educational Support

Instruction and educational support expenses consist primarily of student supplies such as textbooks as well as course development fees, credit card fees, computer related expenses, and printing fees. For the six months ended December 31, 2003, instructional and educational support expenses decreased by 50% to $26,670 or 5.8% of net tuition and tuition-related revenues as compared to $52,874 or 8.1% of net tuition and tuition-related revenues for the six months ended December 31, 2002. The decrease in instructional and educational support expenses and the related percentages was mainly attributable to the fact that we have enrolled fewer students in the current period and we are able to purchase text books from a new supplier at reduced prices. Accordingly, student supply expense was $4,391 or 1.0% of net tuition and tuition-related revenues for the six months ended December 31, 2003 as compared to $12,745 or 2.0% of revenue for the six months ended December 31, 2002.

Printing and reproduction costs decreased to $9,703 for the six months ended December 31, 2003 as compared to $15,631 for the six months ended December 31, 2002. Computer and internet expenses increased to $7,211 for the six months ended December 31, 2003 as compared to $3,420 for the three months ended September 30, 2002. Additionally, we didn't incurred costs associated with course development for the six months ended December 31, 2003 as compared to $8,292 for the six months ended December 31, 2002.

Selling and Promotion

Selling and promotion expense consists primarily of recruiting fees, advertising and travel. For the six months ended December 31, 2003, selling and promotion expenses decreased by 55% to $41,385 or 9.0% of net tuition and tuition-related revenues as compared to $91,776 or 14% of similar net revenues for the six months ended December 31, 2002. The decrease in selling and promotion expenses is attributable to the shift in our selling and promotion efforts to our wireless solutions segment. We have refocused our efforts on our distant learning segment and plan to increase our advertising and marketing efforts. For the six months ended December 31. 2003, advertising expense amounted to $20,052 as compared to $64,429 for the six months ended December 31, 2002. Additionally, our recruiting fees decreased to $18,323 for six months ended December 31, 2003 from $19,557 for the six months ended December 31, 2002. The decrease is attributable to our decreased use of recruiters to obtain students and a general slow-down in new students. Additionally, during the six months ended December 31, 2003, we reversed accrued recruiting fees due to the withdrawal of students that attributed to the recording of recruiting fee income. We are currently running advertisements in various national publications and newspapers in order to attract more students. We expect our advertising budget to increase through the end of fiscal 2004.

-17-

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (CONTINUED)

SIX MONTHS ENDED DECEMBER 31, 2003 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2002

ONLINE DISTANCE LEARNING SEGMENT (CONTINUED)

General and Administrative Expenses

General and administrative expenses, which includes salaries, professional fees, rent, travel and entertainment, insurance, bad debt, and other expenses, were $372,565 for the six months ended December 31, 2003 as compared to $590,698 for the six months ended December 31, 2002. This amounted to 81.2% of net tuition and tuition-related revenues for the six months ended December 31, 2003 as compared to 90.6% for the six months ended December 31, 2002. The change was directly attributable to increased non-cash compensation expense from the issuance of common stock and grants of stock options and warrants for services offset by decreases in operating expenses and was primarily due to the following factors:

The cost of professional fees decreased to $33,071 for the six months ended December 31, 2003 as compared to $57,385 for the six months ended December 31, 2002. During the six months ended December 31, 2002, we incurred additional costs associated with the filing of a registration statement with the Securities and Exchange Commission and incurred legal expenses in connection with the dismissal of a lawsuit. For the six months ended December 31, 2003, salaries were $141,782 as compared to salaries of $145,527 for the six months ended December 31, 2002. Additionally, we experienced a decrease in postage and delivery and telephone expenses due to a decrease in student activity. We incurred bad debt expense of $(14,548) for the six months ended December 31, 2003 as compared to $253,524 for the six months ended December 31, 2002 For the six months ended December 31, 2003, we reduced our allowance for doubtful account due to the withdrawal of inactive students. For the six moths ended December 31, 2003, we recorded non-cash compensation of $78,087 from the issuance of common stock and granted of stock option and warrants for services.

Interest Income

Interest income was $90 for the six months ended December 31, 2003 as compared to $8,990 for the six months ended December 31, 2002, a decrease of $8,900 due to the fact that cash was transferred to our wireless segment. We currently invest our excess cash balances in primarily two interest-bearing accounts with two financial institutions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (CONTINUED)

SIX MONTHS ENDED DECEMBER 31, 2003 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2002

WIRELESS AND WEB SOLUTIONS SEGMENT

For the six months ended December 31, 2003 and 2002, we had net revenues from our wireless and web solutions segment of $89,717 and $285,268, respectively, which consisted of the following:

Equipment and Software Sales	$ 18,367	$157,194
Wireless Solutions and Web Services	71,350	105,334
Other	-	22,740
	$ 89,717	$285,268

For the six months ended December 31, 2002, equipment sales included revenues from the sale of telephone equipment or approximately $78,000 that we no longer sell in the current period. Additionally, in the six months ended December 31, 2002, we had non-recurring revenues from certain web related development service amounting to approximately $30,000.

For the six months ended December 31, 2003 and 2002, we incurred cost of sales related to the sale of equipment of $14,373 and $147,106, respectively.

For the six months ended December 31, 2003 and 2002, we incurred research and development expenses from the development of our new products of $20,571 and $23,607, respectively.

For the six months ended December 31, 2003, selling and promotion expenses amounted to $56,757, which included $29,965 in commission expense, $11,122 in advertising expense, printing and reproduction expense of $3,848, and travel expenses of $11,873. For the six months ended December 31, 2002, selling and promotion expenses amounted to $124,989, which included $5,119 in commission expense, $17,865 in advertising expense, $58,534 of trade show expense, printing and reproduction expense of $14,635, travel expenses of $19,836, licensing fees of $20,418 and other expenses.

For the six months ended December 31, 2003, we incurred $667,695 of general and administrative expenses, which included salaries expense of $235,681, consulting expense of $119,217, rent expense of $22,188, professional fees of $23,914 and other expenses. Additionally, for the six moths ended December 31, 2003, we recorded non-cash compensation of $138,450 from the issuance of common stock and grants of stock options and warrants for services. For the six months ended December 31, 2002, we incurred $516,545 of general and administrative expenses, which included salaries of $289,284, consulting expense of $36,000, computer and internet related expenses of $14,929, rent expense of $15,031, licensing fees of $31,577 and other expenses. The increase in consulting fees for the six months ended December 31, 2003 as compared to the six months ended December 31, 2002 was attributable to an increase in fees paid for public relations services related to our MommyTrack product. The increase in rent expense for the six months ended December 31, 2003 as compared to the six months ended December 31, 2002 was attributable the increase in rent allocated to our wireless segment related to an increase in office space used by this segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS (CONTINUED)

SIX MONTHS ENDED DECEMBER 31, 2003 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2002

WIRELESS AND WEB SOLUTIONS SEGMENT (CONTINUED)

For the six months ended December 31, 2003 and 2002, interest income was $8,755 and $4,427, respectively. We currently invest our excess cash balances in primarily two interest-bearing accounts with two financial institutions.

OVERALL CONSOLIDATED RESULTS

Net income (loss)

As a result of the foregoing factors, we recognized a net loss of $(642,450) or $(.07) per share on a consolidated basis for the six months ended December 31, 2003 as compared to net loss of $(397,924) or $(.05) per share for the six months ended December 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2003, we had $813,752 in cash and equivalents and a short-term investment on hand to meet our obligations. In connection with a private placement, we sold one unit for $100,000 comprised of 100,000 shares of common stock and warrants entitling the holder to purchase up to 100,000 shares of the Company's common stock, at an exercise price of $1.00. We plan on raising additional funds to expand our operations or to pursue acquisition opportunities or other expansion opportunities

During the six months ended December 31, 2003, we invested substantial time and resources developing and evaluating products and opportunities for our wireless solutions segment. We will continue to develop new wireless solutions for both of our segments and may consider acquisitions, business combinations, or start up proposals, which could be advantageous to our product lines or business plans, although the Company expects to be profitable in the future there can be no assurance.

Net cash used in operations was $255,606 for the six months ended December 31, 2003 as compared to net cash used in operations of $262,389 for the six months ended December 31, 2002. We feel that with expected positive cash flow, our current cash balance is sufficient to sustain our operations over the ensuing 12-month period, including the expected growth during this period.

Net cash used in investing activities for the six months ended December 31, 2003 was $35,635 as compared to $37,817 for six months ended December 31, 2002 and primarily related to the acquisition of property and equipment of $27,344 and $37,817 for the six months ended December 31, 2003 and 2002, respectively.

We currently have no material commitments for capital expenditures. Our future growth is dependent on our ability to raise capital for expansion, and to seek additional revenue sources. If we decide to pursue any acquisition opportunities or other expansion opportunities, we may need to raise additional capital, although there can be no assurance such capital- raising activities would be successful.

-20-

CRITICAL ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 1 to the audited financial statements included in Quarterly Report on Form 10-QSB for the year ended June 30, 2003. We believe that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

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

We account for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. We adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS 148, "Accounting for Stock-Based Compensation -Transition and Disclosure", which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied. We account for stock options and stock issued to non-employees for goods or services in accordance with the fair value method of SFAS 123.

We recognize tuition and registration revenue based on the number of courses actually completed in each student's course of study. For example, if a student completes three out of his nine required courses, the Company will recognize 33% of the tuition regardless of the amount of time that the student has taken to fulfill these requirements. Tuition refunds are based on the date that the student cancels and the policy is as follows: If the student withdraws within 5 calendar days after midnight of the day the student signs the Enrollment Agreement (Full Refund Period) the student will receive a full refund with no further obligation. If the student cancels after the Full Refund Period but before the school receives the first completed lesson, the student will be charged a registration fee of $150 and the student will receive a full refund less the registration fee charge. If the student cancels after the school receives the first completed lesson, the student's tuition obligation will be their registration fee plus a portion of the remaining tuition as defined below.

PERCENTAGE OF COURSE COMPLETED	AMOUNT OF TUITION OBLIGATED
10% of less	10% of tuition
Between 11% - 25%	25% of tuition
Between 26% - 50%	50% of tuition
Over 50%	Obligated for full tuition.

When a student withdraws, we write off the remaining tuition receivable balance against the remaining unearned revenue balance and recorded a net increase or decrease to net revenues. The effect on net revenues was approximately a decrease of approximately $2,000 for the three months ended September 30, 2003.

In connection with the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art web technology and design services, the Company recognizes revenue as services are performed or on a pro rata basis over the contract term.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has recently issued several new accounting pronouncements:

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 requires that its provisions are effective immediately for all arrangements entered into after January 31, 2003. The Company does not have any variable interest entities created after January 31, 2003. For those arrangements entered into prior to January 31, 2003, the FIN 46 provisions are required to be adopted at the beginning of the first interim or annual period beginning after June 15, 2003. The Company has not identified any variable interest entities to date.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for the first interim period beginning after June 15, 2003, with certain exceptions. The adoption of SFAS No. 150 did not have a significant impact on our consolidated financial position or results of operations.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the Chief

Executive Officer and Principal Accounting Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Principal Accounting Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Internal Controls

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date set forth above.

-22-

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the company faces litigation in the ordinary course of business. Currently we are not involved with any litigation which will have a material adverse effect on our financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

COMMON STOCK

On December 10, 2003, the Board of Directors approved an increase in the authorized common shares to 25,000,000.

On December 10, 2003, we issued 260,000 shares of common stock to officers of the Company and to independent directors for services rendered. Such shares were valued at their market value on the date of issuance at $.71 per share.

On December 10, 2003, in connection with consulting agreements effective December 18, 2003, we were to issue 777,464 restricted shares of common stock for services rendered and to be rendered in the future. As of December 31, 2003, these shares had not been issued and are included in common stock issuable on the consolidated balance sheet.

On December 31, 2003, in connection with a private placement, we sold one unit for $100,000 comprised of 100,000 shares of common stock and warrants entitling the holder to purchase up to 100,000 shares of the Company's common stock, at an exercise price of $1.00. The warrants expire on December 31, 2008.

COMMON STOCK WARRANTS

On December 10, 2003, we entered into a thirteen month agreement with two consultants effective December 18, 2003. The consultants received an aggregate of 850,000 warrants to purchase shares of the Company's common stock at an exercise price of $1.00 per share. The warrants expire on December 18, 2008.

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.4	Form of subscription agreement used in private placement
31.1	Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports On Form 8-K

On December 19, 2003, we filed an 8-K reporting a change in our certifying accountants

SIGNATURES

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

CENUCO, INC. AND SUBSIDIARIES

Dated: February 13, 2004 By: /s/ Steven Bettinger
Steven Bettinger, President and Chief Executive Officer

Dated: February 13, 2004 By: /s/ Robert Bettinger
Robert Bettinger, Chairman of the Board, Treasurer, Principal Financial and Accounting Officer