

Daekyo Co., Ltd.

Non-Consolidated Financial Statements
December 31, 2010

Daekyo Co., Ltd.
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December 31, 2010

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Daekyo Co., Ltd.

We have audited the accompanying non-consolidated statement of financial position of Daekyo Co., Ltd. (the "Company") as of December 31, 2010, and the related non-consolidated statements of income, appropriation of retained earnings, changes in shareholders' equity and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of and for the year ended December 31, 2009, presented herein for comparative purposes, were audited by other auditors whose report dated March 9, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in conformity with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements as of and for the year ended December 31, 2010, referred to above, present fairly, in all material respects, the financial position of Daekyo Co., Ltd. as of December 31, 2010, and the results of its operations, the changes in its retained earnings, changes in its shareholders' equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Samul PricewaterhouseCoopers

Seoul, Korea
March 7, 2011

This report is effective as of March 7, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Daekyo Co., Ltd.
Non-Consolidated Statements of Financial Position
December 31, 2010 and 2009

<i>(in Korean won)</i>	2010	2009
Assets		
Current assets		
Cash and cash equivalents (Notes 13 and 27)	₩ 72,210,310,683	₩ 54,370,173,371
Short-term financial instruments (Notes 3 and 26)	10,045,715,808	10,934,633,134
Short-term investments (Note 5)	102,112,680,971	84,461,341,704
Trade accounts receivable, net (Note 25)	37,106,530,724	38,337,460,898
Other accounts receivable, net	2,855,650,463	2,436,316,985
Short-term loans receivable	849,949,913	2,460,655,896
Prepaid expenses	4,877,157,703	2,018,812,954
Deferred income tax assets (Note 21)	2,071,792,048	3,384,400,707
Inventories, net (Notes 4 and 9)	21,294,778,403	19,670,564,531
Others	1,181,336,814	1,748,483,520
Total current assets	<u>254,605,903,530</u>	<u>219,822,843,700</u>
Long-term loans receivable, net (Note 25)	3,006,017,943	3,479,439,395
Long-term investments (Note 5)	255,388,027,500	218,040,192,800
Equity-method investments (Note 6)	15,423,666,085	17,288,230,341
Property and equipment, net (Notes 7 and 9)	207,767,932,763	205,950,793,706
Intangible assets, net (Notes 8 and 28)	75,957,157,162	77,326,178,318
Long-term guarantee deposits	57,311,105,830	60,755,181,178
Other non-current assets	10,581,085,359	6,062,262,381
Total other assets	<u>625,434,992,642</u>	<u>588,902,278,119</u>
Total assets	<u>₩ 880,040,896,172</u>	<u>₩ 808,725,121,819</u>

Daekyo Co., Ltd.
Non-Consolidated Statements of Financial Position
December 31, 2010 and 2009

<i>(in Korean won)</i>	2010	2009
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable (Note 25)	₩ 7,975,390,514	₩ 8,969,529,140
Short-term borrowings (Notes 10 and 13)	4,555,600,000	-
Other accounts payable (Note 25)	16,888,120,474	16,175,091,889
Accrued expenses	44,023,024,829	45,367,827,267
Withholdings	6,432,152,134	7,514,900,123
Advances from customers	47,739,828,646	47,144,113,096
Income taxes payable	7,778,665,606	14,884,231,687
Provisions for sales returns (Note 11)	372,884,520	2,433,883,800
Total current liabilities	135,765,666,723	142,489,577,002
Long-term accrued expenses	22,367,625	2,408,327,497
Long-term other accounts payable	3,000,000,000	3,000,000,000
Long-term guarantee deposits	15,593,018,274	15,377,534,027
Provisions for mileage (Note 11)	933,822,943	-
Accrued severance benefits, net (Note 12)	8,826,904,082	10,097,604,329
Deferred income tax liabilities (Note 21)	42,486,980,571	32,178,894,679
Total liabilities	206,628,760,218	205,551,937,534
Commitments and contingencies (Note 26)		
Shareholders' equity		
Capital stock (Note 14)		
Common stock	42,351,425,000	42,351,425,000
Preferred stock	9,713,495,000	9,713,495,000
Capital surplus		
Paid-in capital in excess of par value	46,797,204,828	46,797,204,828
Other capital surplus	23,616,716,166	23,429,495,861
Capital adjustment		
Treasury stock (Note 15)	(47,612,074,457)	(52,276,065,380)
Stock options (Note 16)	847,377,663	2,018,773,952
Accumulated other comprehensive income (Notes 5,6 and 23)		
Gain on valuation of available-for-sale securities	157,560,495,404	126,175,582,895
Loss on valuation of available-for-sale securities	(1,787,439,528)	(4,557,368,406)
Gain on valuation of equity-method investments	1,186,213,829	731,205,747
Loss on valuation of equity-method investments	(263,289,683)	(632,345,317)
Retained earnings (Note 17)		
Legal reserve	32,300,000,000	32,300,000,000
Other reserves	366,505,024,876	333,505,024,876
Unappropriated retained earnings	42,196,986,856	43,616,755,229
Total shareholders' equity	673,412,135,954	603,173,184,285
Total liabilities and shareholders' equity	₩ 880,040,896,172	₩ 808,725,121,819

The accompanying notes are an integral part of these non-consolidated financial statements.

Daekyo Co., Ltd.
Non-Consolidated Statements of Income
Years Ended December 31, 2010 and 2009

<i>(in Korean won)</i>	2010	2009
Sales (Notes 18 and 25)	₩ 860,022,830,765	₩ 845,488,660,596
Cost of sales (Notes 19, 25 and 26)	<u>711,545,825,093</u>	<u>697,921,804,784</u>
Gross profit	148,477,005,672	147,566,855,812
Selling and administrative expenses (Note 20)	<u>85,630,693,420</u>	<u>87,471,379,371</u>
Operating income	<u>62,846,312,252</u>	<u>60,095,476,441</u>
Non-operating income		
Interest income	2,632,162,629	4,627,477,772
Dividend income	2,022,928,583	11,855,000
Reversal of allowance for doubtful accounts	-	161,206,792
Gain on foreign currency transaction	32,108,136	508,126,066
Gain on disposal of property and equipment	11,981,530	138,586,751
Gain on valuation of equity-method investments (Note 6)	215,312,704	779,977,822
Gain on disposal of short-term investments	4,905,998,270	14,337,722,092
Gain on valuation of short-term investments	1,107,780,775	259,358,000
Gain on disposal of long-term investments	11,548,163,377	27,776,285,756
Others	<u>622,784,809</u>	<u>624,383,291</u>
	<u>23,099,220,813</u>	<u>49,224,979,342</u>
Non-operating expenses		
Interest expenses	5,854,864	18,773,694
Loss on foreign currency transaction	77,645,389	462,744,461
Donations	2,103,661,830	1,066,924,919
Other bad debt expenses	256,982,847	-
Loss on inventory fallen into disuse	4,737,233,568	2,870,489,073
Loss on valuation of equity-method investments (Note 6)	6,657,687,824	17,269,361,090
Loss on disposal of equity method investments	172,823,970	-
Loss on disposal of intangible assets (Note 8)	1,536,817,082	1,584,492,774
Loss on valuation of short-term investments	48,935,000	-
Commissions on entrusted investments	719,957,740	708,354,900
Others	<u>450,743,420</u>	<u>1,799,377,367</u>
	<u>16,768,343,534</u>	<u>25,780,518,278</u>
Income before income tax expense	69,177,189,531	83,539,937,505
Income tax expense (Note 21)	<u>19,728,252,754</u>	<u>27,049,579,757</u>
Net income	<u>₩ 49,448,936,777</u>	<u>₩ 56,490,357,748</u>
Basic earnings per share (Note 22)	₩ 527	₩ 595

The accompanying notes are an integral part of these non-consolidated financial statements.

Daekyo Co., Ltd.

Non-Consolidated Statements of Appropriation of Retained Earnings

Years ended December 31, 2010 and 2009

**(Dates of appropriation : March 18, 2011 and March 19, 2010
for the years ended December 31, 2010 and 2009, respectively)**

<i>(in Korean won)</i>	2010	2009
Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩ 1,147,728,759	₩ 1,308,797,731
Interim dividends (Note 24)	(8,399,678,680)	(14,182,400,250)
Dividends(dividend to per value ratio) per share		
Common stock:		
₩90 (18%) in 2010		
₩150 (30%) in 2009		
Preferred stock:		
₩90 (18%) in 2010		
₩150 (30%) in 2009		
Net income	49,448,936,777	56,490,357,748
	42,196,986,856	43,616,755,229
Appropriation of retained earnings		
Other reserves	28,000,000,000	33,000,000,000
Cash dividends (Note 24)	12,365,603,850	9,469,026,470
Dividends(dividend to per value ratio) per share		
Common stock:		
₩130 (26%) in 2010		
₩100 (20%) in 2009		
Preferred stock:		
₩140 (28%) in 2010		
₩110 (22%) in 2009		
	40,365,603,850	42,469,026,470
Unappropriated retained earnings to be carried forward to subsequent year	₩ 1,831,383,006	₩ 1,147,728,759

The accompanying notes are an integral part of these non-consolidated financial statements.

Daekyo Co., Ltd.
Non-Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2010 and 2009

<i>(in Korean won)</i>	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income(expense)	Retained earnings	Total
Balances as of January 1, 2009	₩ 52,064,920,000	₩ 71,859,653,015	₩ (38,968,323,206)	₩ 73,210,342,367	₩ 367,456,496,807	₩ 525,623,088,983
Dividends	-	-	-	-	(342,674,200)	(342,674,200)
Balances after appropriation	52,064,920,000	71,859,653,015	(38,968,323,206)	73,210,342,367	367,113,822,607	525,280,414,783
Interim dividends	-	-	-	-	(14,182,400,250)	(14,182,400,250)
Net income	-	-	-	-	56,490,357,748	56,490,357,748
Decrease in capital surplus	-	(1,632,952,326)	-	-	-	(1,632,952,326)
Acquisition of treasury stock	-	-	(11,739,782,230)	-	-	(11,739,782,230)
Increase in stock options	-	-	450,814,008	-	-	450,814,008
Gain on valuation of available-for-sale securities	-	-	-	44,828,704,730	-	44,828,704,730
Loss on valuation of available-for-sale securities	-	-	-	5,076,935,496	-	5,076,935,496
Gain on valuation of equity method investments	-	-	-	(848,703,090)	-	(848,703,090)
Loss on valuation of equity method investments	-	-	-	(550,204,584)	-	(550,204,584)
Balances as of December 31, 2009	₩ 52,064,920,000	₩ 70,226,700,689	₩ (50,257,291,428)	₩ 121,717,074,919	₩ 409,421,780,105	₩ 603,173,184,285
Balances as of January 1, 2010	₩ 52,064,920,000	₩ 70,226,700,689	₩ (50,257,291,428)	₩ 121,717,074,919	₩ 409,421,780,105	₩ 603,173,184,285
Dividends	-	-	-	-	(9,469,026,470)	(9,469,026,470)
Balances after appropriation	52,064,920,000	70,226,700,689	(50,257,291,428)	121,717,074,919	399,952,753,635	593,704,157,815
Interim dividends	-	-	-	-	(8,399,678,680)	(8,399,678,680)
Net income	-	-	-	-	49,448,936,777	49,448,936,777
Increase in capital surplus	-	187,220,305	-	-	-	187,220,305
Acquisition of treasury stock	-	-	(1,973,176,104)	-	-	(1,973,176,104)
Disposal of treasury stock	-	-	6,637,167,027	-	-	6,637,167,027
Decrease in stock options	-	-	(1,171,396,289)	-	-	(1,171,396,289)
Gain on valuation of available-for-sale securities	-	-	-	31,384,912,509	-	31,384,912,509
Loss on valuation of available-for-sale securities	-	-	-	2,769,928,878	-	2,769,928,878
Gain on valuation of equity method investments	-	-	-	455,008,082	-	455,008,082
Loss on valuation of equity method investments	-	-	-	369,055,634	-	369,055,634
Balances as of December 31, 2010	₩ 52,064,920,000	₩ 70,413,920,994	₩ (46,764,696,794)	₩ 156,695,980,022	₩ 441,002,011,732	₩ 673,412,135,954

The accompanying notes are an integral part of these non-consolidated financial statements.

Daekyo Co., Ltd.
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2010 and 2009

<i>(in Korean won)</i>	2010	2009
Cash flows from operating activities		
Net income	₩ 49,448,936,777	₩ 56,490,357,748
Adjustments to reconcile net income to net cash provided by operating activities		
Provisions for severance benefits	11,337,134,855	10,899,188,826
Depreciation	16,366,120,020	10,361,297,097
Amortization of intangible assets	33,534,594,307	34,584,344,375
Bad debts expense	1,488,969,164	466,096,562
Other bad debts expense	256,982,847	-
Loss on inventories fallen into disuse	4,737,233,568	2,870,489,073
Loss on valuation of equity-method investments, net	6,442,375,120	16,489,383,268
Loss on disposal of equity method investments	172,823,970	-
Loss on impairment of intangible assets	1,536,817,082	1,584,492,774
Salaries and wages (stock options)	1,961,279,027	3,656,839,468
Reversal of allowance for doubtful accounts	-	(161,206,792)
Gain on disposal of short-term investment securities	(4,905,998,270)	(14,337,722,092)
Gain on valuation of short-term investment securities	(1,107,780,775)	(259,358,000)
Gain on disposal of long-term investment securities	(11,548,163,377)	(27,776,285,756)
Others	1,133,885,268	980,764,770
	61,406,272,806	39,358,323,573
Changes in operating assets and liabilities		
Increase in trade accounts receivable	(258,038,990)	(5,814,037,897)
Decrease in accrued income	122,442,967	22,379,208
Decrease (increase) in other accounts receivable	(419,333,478)	437,032,306
Decrease (increase) in advances	22,870,975	(1,353,672,382)
Increase in prepaid expenses	(2,871,995,433)	(695,508,614)
Increase in inventories	(5,779,042,880)	(762,755,273)
Changes in deferred income tax assets and liabilities	2,499,376,319	(1,286,076,793)
Decrease in trade accounts payable	(994,138,626)	(3,062,823,261)
Increase (decrease) in other accounts payable	139,513,567	(2,145,279,711)
Increase (decrease) in accrued expenses	(1,344,802,438)	6,265,447,607
Increase (decrease) in withholdings	(1,082,747,989)	988,088,384
Increase (decrease) in advances from customers	1,360,313,562	(3,736,367,268)
Increase (decrease) in income taxes payable	(7,105,566,081)	4,797,336,308
Increase (decrease) in provisions for sales returns	(2,060,999,280)	1,599,773,457
Payment of severance benefits	(6,675,221,507)	(48,720,651,070)
Increase in severance fund assets	(5,485,576,337)	(21,032,725,632)
Decrease in severance insurance deposits	-	45,169,166,851
Decrease in contribution to the National Pension Fund	54,199,700	600,138,300
Increase in long-term guarantee deposits	215,484,247	418,061,400
Decrease in long-term accrued expenses	(2,385,959,872)	(2,483,137,041)
Increase (decrease) in provisions for mileage	37,581,296	(156,796,161)
	(32,011,640,278)	(30,952,407,282)
Net cash provided by operating activities	78,843,569,305	64,896,274,039

Daekyo Co., Ltd.
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2010 and 2009

<i>(in Korean won)</i>	2010	2009
Cash flows from investing activities		
Decrease in short-term financial instruments	6,300,000,000	20,895,113,534
Proceeds from disposal of short-term investments	64,365,356,270	51,397,333,092
Proceeds from disposal of long-term investments	15,206,095,702	42,129,235,940
Collection of short-term loans	2,129,127,435	3,339,133,358
Collection of long-term loans	-	1,050,000,000
Return of long-term guarantee deposits	22,068,048,722	12,238,559,546
Proceeds from disposal of property and equipment	12,015,500	162,474,808
Proceeds from disposal of intangible assets	-	63,025,000
Acquisition of short-term financial instruments	(5,411,082,674)	(7,920,000,000)
Acquisition of short-term investments	(70,000,000,000)	(59,450,000,000)
Acquisition of long-term investments	(3,511,465,510)	(13,392,087,600)
Acquisition of equity-method investments	(3,926,571,118)	(10,039,272,300)
Short-term loans granted	(45,000,000)	(2,279,408,782)
Long-term loans granted	-	(396,693,938)
Payment of long-term guarantee deposits	(18,410,973,374)	(19,228,239,210)
Acquisition of property and equipment	(17,417,118,721)	(12,006,400,441)
Acquisition of intangible assets	(20,164,149,105)	(45,188,963,868)
Acquisition of initial throw-in equipment	(16,626,692,086)	-
Acquisition of business unit	(2,240,000,000)	-
Net cash used in investing activities	<u>(47,672,408,959)</u>	<u>(38,626,190,861)</u>
Cash flows from financing activities		
Issuance of short-term borrowings	4,577,876,550	2,492,800,000
Disposal of treasury stock	1,932,981,670	2,365,594,310
Payment of short-term borrowings	-	(2,492,800,000)
Payment of dividends	(17,868,705,150)	(14,525,074,450)
Acquisition of treasury stock	(1,973,176,104)	(20,283,236,062)
Net cash used in financing activities	<u>(13,331,023,034)</u>	<u>(32,442,716,202)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>17,840,137,312</u>	 <u>(6,172,633,024)</u>
Cash and cash equivalents		
Beginning of the year	54,370,173,371	60,542,806,395
End of the year	<u>₩ 72,210,310,683</u>	<u>₩ 54,370,173,371</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

Daekyo Co., Ltd.

Notes to the Non-Consolidated Financial Statements

December 31, 2010 and 2009

1. The Company

Daekyo Co., Ltd. (the "Company") was incorporated in December 1986, and provides educational service. The Company, as an education, publishing & culture company, does various educational services such as the Noonnoppi education, pre-school education, publishing, home-based teaching, on-line education, educational institutions and after-school teaching.

In February 2004, the Company listed its shares on the Korea Stock Exchange. As of December 31, 2010, the majority shareholder, Daekyo Holdings Co., Ltd. owns 54.5% of common stocks of the Company.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are same as those followed by the Company summarized below.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the ordinary course of the Company's activities and is measured as the fair value of the consideration received or receivable for the sale of goods and services in the said ordinary course of the Company's activities. Revenue is shown as net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Daekyo Co., Ltd.
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Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of goods are transferred to the buyer. Revenue from service contracts is recognized using the percentage-of-completion method.

Interest income is recognized using the effective interest method. Dividend income is recognized when the rights to receive such dividends and amounts thereof are determined. Royalty income is recognized on an accrual basis in accordance with the substance of relevant contracts.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturities of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

Inventories

The quantities of inventories are determined using the perpetual method and inventory counts as of the date of the statement of financial position, while the costs of inventories are determined using the moving-weighted average method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

Investment in Securities

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as short-term investments while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as short-term investments.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable equity securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

Daekyo Co., Ltd.
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Equity Method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

In case the investee is also a subsidiary of the parent company, the net income and net assets of the investee in its non-consolidated financial statements should be equal to the corresponding share of the Parent Company presented in the consolidated financial statements, unless the equity method of accounting has been discontinued on the said investee.

Property and Equipment

Property and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

Property and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

	Estimated Useful Lives	Depreciation Method
Buildings	40 - 60 years	Straight-line method
Structures	3 - 40 years	Straight-line method
Machinery	4 years	Declining balance method
Vehicles	2 - 5 years	Declining balance method
Equipment	2 - 6 years	Declining balance method
Furniture and fixtures	2 - 17 years	Straight-line/Declining balance

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the economical benefits of the related assets or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

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	Estimated Useful Lives	Depreciation Method
Goodwill	5 years	Straight-line method
Industrial property rights	5 - 10 years	Straight-line method
Development cost	4 years	Straight-line/Declining balance
Intellectual property rights	5 years	Straight-line method
Right to use donated assets	1 - 4 years	Straight-line method
Franchise	5 years	Straight-line method
Software	4 years	Straight-line/Declining balance

Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future benefits are capitalized as intangible assets.

Amortization of development cost begins at the commencement of the commercial production of the related products or use of the related technology.

In addition, when the Company donates its facilities to the educational institutions and is entitled to the right to use them within the finite period, the Company recognizes the amount of donation as the right to use donated assets which are amortized over the period to use.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition.

Impairment of assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

Translation of assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the date of the statement of financial position, and the resulting translation gains and losses are recognized in current operations.

Currency translation for foreign operations

Assets and liabilities of a company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the date of the statement of financial position, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense.

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Accrued severance benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the date of the statement of financial position.

As of the date of the statement of financial position, the Company has a defined benefit pension plan. The Company recognizes liabilities related to eligible employees and retirees electing to receive a pension as severance benefits and payables in pension, respectively.

The severance pension deposits are recorded as deductions of the severance benefits and payables. In case severance pension deposits exceed accrual severance benefits, the excess amounts are presented as investment assets.

The Company also has a defined contribution plan for employees. When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as an expense.

Long-Term Accrued Expenses

The Company entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Company pays instructors a certain amount based on cumulative cash collection amounts from its educational service members during the period of the contract. Long-term accrued expenses represent the amounts which would be payable assuming all instructors were to terminate their contracts at the end of the reporting period.

Provisions and contingent liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Income tax and deferred income tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

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Share-based payments

In case of equity-settled share-based payment, the fair value of the goods or employee services received in exchange for the grant of the options is recognized as an expense and a capital adjustment. If the fair value of goods or employee services cannot be estimated reliably, the fair value is estimated based on the fair value of the equity granted.

3. Restricted Financial Instruments

As of December 31, 2010, certain short-term financial instruments amounting to ₩4,060 million (2009: ₩6,360 million) are subject to withdrawal restrictions in connection with long-term guarantee deposits received and others.

4. Inventories

Inventories as of December 31, 2010 and 2009, consist of the following:

<i>(in millions of Korean won)</i>	2010	2009
Merchandise	₩ 1,908	₩ 982
Manufactured goods	16,006	15,815
Supplies	2,324	2,048
Raw materials	1,057	826
	<u>₩ 21,295</u>	<u>₩ 19,671</u>

Inventories are insured against fire and other casualty losses as of December 31, 2010 (Note 9).

5. Short-term and long-term investment securities

Short-term investment securities as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Equity-linked securities	₩ 27,558	₩ 18,437
Beneficiary certificates	74,530	66,024
Government issued securities	25	-
	<u>₩ 102,113</u>	<u>₩ 84,461</u>

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Long-term investment securities as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Available-for-sale securities				
Marketable equity securities	₩	255,010	₩	217,773
Non-marketable equity securities		378		242
Held-to-maturity securities				
Government issued securities		-		25
	₩	<u>255,388</u>	₩	<u>218,040</u>

The Company's marketable equity securities classified as available-for-sale as of December 31, 2010 and 2009, are as follows:

		2010				
<i>(in millions of Korean won)</i>	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value	
Shinhan Financial Group	4,819,975	1.02	₩ 57,693	₩ 254,976	₩ 254,976	
Inzi Controls	6,000	0.04	68	34	34	
	<u>4,825,975</u>		<u>₩ 57,761</u>	<u>₩ 255,010</u>	<u>₩ 255,010</u>	

		2009				
<i>(in millions of Korean won)</i>	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value	
Shinhan Financial Group	5,040,579	1.06	₩ 57,899	₩ 217,753	₩ 217,753	
Inzi Controls	6,000	0.04	68	20	20	
	<u>5,046,579</u>		<u>₩ 57,967</u>	<u>₩ 217,773</u>	<u>₩ 217,773</u>	

Changes in gain and loss on valuation of available-for-sale securities (after deduction of tax effect) for the years ended December 31, 2010 and 2009, are as follows:

		2010			
<i>(in millions of Korean won)</i>	January 1, 2010	Increase (Decrease)	Disposal (Realized)	December 31, 2010	
Beneficiary certificates	₩ (3,031)	₩ 4,929	₩ 20	₩ 1,918	
Shinhan Financial Group	124,686	38,203	(9,008)	153,881	
Inzi Controls	(37)	11	-	(26)	
	<u>₩ 121,618</u>	<u>₩ 43,143</u>	<u>₩ (8,988)</u>	<u>₩ 155,773</u>	

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(in millions of Korean won)	2009			
	January 1, 2009	Increase (Decrease)	Disposal (Realized)	December 31, 2009
Beneficiary certificates	₩ (5,904)	₩ (1,662)	₩ 4,535	₩ (3,031)
Shinhan Financial Group	77,893	62,751	(15,958)	124,686
Inzi Controls	(41)	4	-	(37)
CJO Shopping	(235)	-	235	-
	<u>₩ 71,713</u>	<u>₩ 61,093</u>	<u>₩ (11,188)</u>	<u>₩ 121,618</u>

6. Equity Method Investments

Equity method investments as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	Percentage of ownership (%) at December 31, 2010	2010			2009		
		Acquisition cost	Net asset value	Carrying value	Acquisition cost	Net asset value	Carrying value
Domestic companies							
Fermatedu Co., Inc.	59.32	₩ 28,724	₩ 29	₩ 29	₩ 28,724	₩ 2,323	₩ 2,323
Daekyo Bookscan Co., Ltd.	100.00	11,086	1,573	979	11,086	2,620	1,811
Daekyo Book Center Co., Ltd.	97.93	5,184	1,669	1,690	5,184	1,932	1,960
Interesting Creative Co., Ltd. ¹	20.00	-	-	-	680	-	-
Daekyo EOL Co., Ltd.	56.53	842	525	525	842	474	474
Daekyo CSA Co., Ltd	50.00	1,000	613	613	1,000	600	600
Daekyo Sobics Co., Ltd.	83.72	2,512	1,722	1,722	2,512	1,693	1,693
Child-Care Consortium ²	16.44	1,728	729	729	1,728	729	729
		51,076	6,860	6,287	51,756	10,371	9,590
Overseas companies							
Daekyo America, Inc.	50.06	5,966	5,107	5,064	2,605	1,538	1,422
Daekyo Hong Kong Co., Ltd.	47.89	250	616	592	250	830	805
Beijing Daekyo Co., Ltd.	100.00	445	344	344	445	345	345
Daekyo Malaysia Sdn. Bhd.	100.00	600	335	285	600	188	142
Sanghai Daekyo Co., Ltd.	100.00	4,734	2,099	2,015	4,734	4,544	4,501
Daekyo Bertelsmann Educational Service Limited	50.00	657	-	-	657	-	-
P.T Daekyo Indonesia	99.58	680	459	415	680	485	483
Daekyo Enopi Singapore PTE Ltd. ³	100.00	566	427	422	-	-	-
		13,898	9,387	9,137	9,971	7,930	7,698
		₩ 64,974	₩ 16,247	₩ 15,424	₩ 61,727	₩ 18,301	₩ 17,288

¹ The entity was liquidated in 2010.

² Even though the Company has less than 20% of shares of the investee, the equity method has been applied as the Company has significant influence over the investee.

³ The entity was newly incorporated in 2010.

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Changes in equity method investments for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010				
	January 1, 2010	Acquisition (Disposal)	Gain (loss) on valuation	Others	December 31, 2010
Domestic investee					
Fermatedu Co., Inc.	₩ 2,323	₩ -	₩ (2,294)	₩ -	₩ 29
Daekyo Bookscan Co., Ltd.	1,811	-	(832)	-	979
Daekyo Book Center Co., Ltd.	1,960	-	(270)	-	1,690
Daekyo EOL Co., Ltd.	474	-	51	-	525
Daekyo CSA Co., Ltd.	600	-	13	-	613
Daekyo Sobics Co., Ltd.	1,693	-	29	-	1,722
Child-Care Consortium	729	-	-	-	729
	<u>9,590</u>	<u>-</u>	<u>(3,303)</u>	<u>-</u>	<u>6,287</u>
Overseas investee					
Daekyo America, Inc.	1,422	3,360	(249)	531	5,064
Daekyo Hong Kong Co., Ltd.	805	-	(244)	31	592
Beijing Daekyo Co., Ltd.	345	-	(4)	3	344
Daekyo Malaysia Sdn. Bhd.	142	-	123	20	285
Sanghai Daekyo Co., Ltd.	4,501	-	(2,501)	15	2,015
Daekyo Bertelsmann Educational Service Limited	-	-	-	-	-
P.T Daekyo Indonesia	483	-	(79)	11	415
Daekyo Enopi Singapore PTE Ltd.	-	566	(185)	41	422
	<u>7,698</u>	<u>3,926</u>	<u>(3,139)</u>	<u>652</u>	<u>9,137</u>
	<u>₩ 17,288</u>	<u>₩ 3,926</u>	<u>₩ (6,442)</u>	<u>₩ 652</u>	<u>₩ 15,424</u>

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(in millions of Korean won)	2009				
	January 1, 2009	Acquisition (Disposal)	Gain (loss) on valuation	Others	December 31, 2009
Domestic companies					
Fermatedu Co., Inc.	₩ 14,987	₩ 2,385	₩ (15,049)	₩ -	₩ 2,323
Daekyo Bookscan Co., Ltd.	1,576	1,413	(1,178)	-	1,811
Daekyo Book Center Co., Ltd.	465	2,000	(505)	-	1,960
Interesting Creative Co., Ltd.	-	-	-	-	-
Daekyo EOL Co., Ltd.	157	-	317	-	474
Daekyo CSA Co., Ltd.	600	-	-	-	600
Daekyo Sobics Co., Ltd.	1,959	-	(266)	-	1,693
Child-Care Consortium	864	-	(135)	-	729
	<u>20,608</u>	<u>5,798</u>	<u>(16,816)</u>	<u>-</u>	<u>9,590</u>
Overseas companies					
Daekyo America, Inc.	2,428	-	22	(1,028)	1,422
Daekyo Hong Kong Co., Ltd.	498	-	377	(70)	805
Beijing Daekyo Co., Ltd.	471	-	(101)	(25)	345
Daekyo Malaysia Sdn. Bhd.	92	-	61	(11)	142
Sanghai Daekyo Co., Ltd.	363	4,459	(35)	(286)	4,501
Daekyo Bertelsmann Educational Service Limited	-	-	-	-	-
P.T Daekyo Indonesia	451	-	3	29	483
	<u>4,303</u>	<u>4,459</u>	<u>327</u>	<u>(1,391)</u>	<u>7,698</u>
	<u>₩ 24,911</u>	<u>₩ 10,257</u>	<u>₩ (16,489)</u>	<u>₩ (1,391)</u>	<u>₩ 17,288</u>

In case the audited financial statements of the investee were not available until the date of approval of financial statements, the unaudited financial statements were used in applying the equity method and the verification of those financial statements were performed by the Company.

For the years ended December 31, 2010 and 2009, the details of changes in differences between the initial purchase price and the Company's initial proportionate ownership in the net book values of the investees are as follows:

(in millions of Korean won)	2010			
	January 1, 2010	Addition	Amortization	December 31, 2010
Daekyo Bookscan Co., Ltd.	₩ (152)	₩ -	₩ 152	₩ -
Daekyo America, Inc.	9	(2)	(2)	5
Daekyo Book Center Co., Ltd.	28	-	(6)	22
	<u>₩ (115)</u>	<u>₩ (2)</u>	<u>₩ 144</u>	<u>₩ 27</u>

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(in millions of Korean won)	2009			
	January 1, 2009	Addition	Amortization	December 31, 2009
Daekyo Bookscan Co., Ltd.	₩ (179)	₩ -	₩ 27	₩ (152)
Daekyo America, Inc.	11	-	(2)	9
Daekyo Book Center Co., Ltd.	-	33	(5)	28
Fermatedu Co., Inc.	9,050	-	(9,050)	-
	₩ 8,882	₩ 33	₩ (9,030)	₩ (115)

In the above table, positive numbers represent goodwill.

As of December 31, 2010, unrealized profit or loss on intercompany transactions included in inventories and others amounting to ₩ 847million (2009: ₩ 897 million) was eliminated as a result of the valuation of equity method investments.

Summaries of financial information of equity method investees as of and for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010				
	Total assets	Total liabilities	Total Equity	Sales	Net income (loss)
Daekyo Bookscan Co., Ltd.	₩ 2,648	₩ 1,075	₩ 1,573	₩ 493	₩ (1,092)
Daekyo America, Inc.	13,013	2,811	10,202	3,814	(606)
Daekyo Hong Kong Co., Ltd.	2,115	828	1,287	2,609	600
Beijing Daekyo Co., Ltd.	377	33	344	240	(4)
Daekyo Book Center Co., Ltd.	5,837	4,133	1,704	11,406	(212)
Daekyo EOL Co., Ltd.	1,524	596	928	4,056	96
Daekyo Malaysia Sdn. Bhd.	1,005	670	335	1,216	168
Sanghai Daekyo Co., Ltd.	2,173	74	2,099	728	(2,456)
Fermatedu Co., Inc.	13,619	13,569	50	16,530	(3,586)
Child-Care Consortium	5,178	744	4,434	4,002	(820)
Daekyo CSA Co., Ltd.	2,168	943	1,225	8,726	(44)
Daekyo Sobics Co., Ltd.	2,468	411	2,057	5,943	35
P.T Daekyo Indonesia	906	446	460	614	(28)
Daekyo Enopi Singapore	481	54	427	85	(180)
PTE Ltd.					

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(in millions of Korean won)	2009						
	Total assets		Total liabilities		Total Equity	Sales	Net income (loss)
Daekyo Bookscan Co., Ltd.	₩	4,229	₩	1,609	₩ 2,620	₩ 3,052	₩ (602)
Daekyo America, Inc.		7,954		5,643	2,312	3,996	(75)
Daekyo Hong Kong Co., Ltd.		3,797		2,064	1,732	2,234	800
Beijing Daekyo Co., Ltd.		371		25	345	337	(101)
Daekyo Book Center Co., Ltd.		5,811		3,838	1,973	10,323	(343)
Daekyo EOL Co., Ltd.		1,168		329	839	3,179	558
Daekyo Malaysia Sdn. Bhd.		844		656	188	911	80
Sanghai Daekyo Co., Ltd.		4,569		25	4,544	753	(42)
Fermatedu Co., Inc.		17,001		13,075	3,916	22,174	(8,761)
Child-Care Consortium		5,178		744	4,434	4,002	(820)
Daekyo CSA Co., Ltd.		2,189		865	1,200	6,377	-
Daekyo Sobics Co., Ltd.		3,289		1,267	2,022	5,221	(325)
P.T Daekyo Indonesia		650		164	486	506	(17)

7. Property and Equipment

Changes in property and equipment for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010			
	Land	Buildings	Structures	Vehicles
Balance as of January 1, 2010	₩ 67,692	₩ 120,598	₩ 2,733	₩ 210
Acquisition and capital expenditure	99	-	-	84
Transfer	-	-	-	-
Disposal/disuse	-	-	-	-
Depreciation	-	(3,722)	(85)	(137)
Balance as of December 31, 2010	₩ 67,791	₩ 116,876	₩ 2,648	₩ 157

(in millions of Korean won)	2010			
	Equipment	Standing timber	Construction-in-progress	Total
Balance as of January 1, 2010	₩ 12,282	₩ 528	₩ 1,908	₩ 205,951
Acquisition and capital expenditure	15,931	-	2,126	18,240
Transfer	1,908	-	(1,908)	-
Disposal/disuse	(57)	-	-	(57)
Depreciation	(12,422)	-	-	(16,366)
Balance as of December 31, 2010	₩ 17,642	₩ 528	₩ 2,126	₩ 207,768

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(in millions of Korean won)	2009			
	Land	Buildings	Structures	Vehicles
Balance as of January 1, 2009	₩ 67,653	₩ 123,911	₩ 2,811	₩ 214
Acquisition and capital expenditure	39	114	6	190
Transfer	-	291	-	-
Disposal/disuse	-	-	-	(24)
Depreciation	-	(3,718)	(84)	(170)
Balance as of December 31, 2009	₩ 67,692	₩ 120,598	₩ 2,733	₩ 210

(in millions of Korean won)	2009			
	Equipment	Standing timber	Construction-in-progress	Total
Balance as of January 1, 2009	₩ 7,081	₩ 528	₩ 179	₩ 202,377
Acquisition and capital expenditure	11,545	-	112	12,006
Transfer	50	-	1,617	1,958
Disposal/disuse	(5)	-	-	(29)
Depreciation	(6,389)	-	-	(10,361)
Balance as of December 31, 2009	₩ 12,282	₩ 528	₩ 1,908	₩ 205,951

As of December 31, 2010, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, is ₩115,576 million (2009: ₩113,311 million).

8. Intangible Assets

Changes in intangible assets for the years ended December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010					
	Goodwill	Industrial property rights	Development costs	Right to use donated assets	Software	Total
Beginning balance	₩ 4,143	₩ 130	₩ 42,504	₩ 28,135	₩ 2,414	₩ 77,326
Acquisition	1,333	46	19,213	-	830	21,422
Transfer-in(out)	75	-	(3,071)	12,205	3,071	12,280
Amortization	(1,633)	(55)	(11,038)	(18,534)	(2,274)	(33,534)
Impairment	-	-	(1,537)	-	-	(1,537)
Ending balance	₩ 3,918	₩ 121	₩ 46,071	₩ 21,806	₩ 4,041	₩ 75,957
Acquisition cost	₩ 12,253	₩ 844	₩ 128,506	₩ 108,874	₩ 17,503	₩ 267,980
Accumulated amortization	7,917	723	74,538	87,068	11,570	181,816
Accumulated impairment loss	418	-	7,897	-	1,892	10,207

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2009

<i>(in millions of Korean won)</i>	Goodwill		Industrial property rights		Development costs		Right to use donated assets		Software		Total
Beginning balance	₩	5,493	₩	107	₩	34,860	₩	24,082	₩	2,654	₩ 67,142
Acquisition		717		69		21,977		-		282	23,045
Transfer-in(out)		-		-		(1,729)		23,420		1,679	23,370
Disposals		(60)		-		-		(3)		-	(63)
Amortization		(1,891)		(46)		(11,082)		(19,364)		(2,201)	(34,584)
Impairment		(116)		-		(1,468)		-		-	(1,584)
Ending balance	₩	4,143	₩	130	₩	42,504	₩	28,135	₩	2,414	₩ 77,326
Acquisition cost	₩	11,018	₩	798	₩	115,374	₩	97,055	₩	13,602	₩ 237,847
Accumulated amortization		6,457		668		66,509		68,920		9,296	151,850
Accumulated impairment loss		418		-		6,361		-		1,892	8,671

The amortization of intangible assets for the years ended December 31, 2010 and 2009, is classified under the following accounts:

<i>(in millions of Korean won)</i>	2010	2009
Manufacturing costs	₩ 9,053	₩ 7,712
Cost of sales	21,566	20,804
Selling and administrative expenses	2,897	2,995
	₩ 33,516	₩ 31,511

The Company expensed ordinary research and development expenses of ₩ 15,186 million for the year ended December 31, 2010 (2009: ₩ 18,101 million).

Significant expenditures, which are expected to have future economic benefits but are not capitalized in the year incurred because they are not under the Company's control for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Training expenses	₩ 6,897	₩ 5,923
Advertising expenses	29,532	31,679
	₩ 36,429	₩ 37,602

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9. Insured Assets

The details of the insurance as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)

Type of Insurance	Insured assets	Amount		Insurance Company
		2010	2009	
Package insurance	Buildings and equipment	₩ 162,754	₩ 175,047	Hyundai Marine & Fire Insurance Co., Ltd.
	Inventories	10,656	10,495	
American standard Inland floater Insurance	Inventories, equipment and others	48,997	52,307	
Others	Inventories, equipment and others	509,117	271,020	
		<u>₩ 731,524</u>	<u>₩ 508,869</u>	

10. Borrowings

Short-term borrowings as of December 31, 2010 and 2009, consist of:

<i>(in millions of Korean won, in thousands of US dollars)</i>	Annual interest rate (%) at December 31, 2010	2010	2009
Foreign currency general loans of USD 4,000	LIBOR 1M + 145bp	₩ 4,556	₩ -

11. Provisions for other liabilities and charges

Changes in provisions for other liabilities and charges for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
	Provisions for sales return	Provisions for mileage program	Provisions for sales return	Provisions for mileage program
Beginning balance	₩ 2,434	₩ -	₩ 834	₩ -
Increase	569	345	2,756	-
Transferred in ¹	-	896	-	-
Decrease	<u>(2,630)</u>	<u>(307)</u>	<u>(1,156)</u>	-
Ending balance	<u>₩ 373</u>	<u>₩ 934</u>	<u>₩ 2,434</u>	<u>₩ -</u>

¹ Transferred from Libro Co., Ltd. online business department on September 1, 2010(Note 28).

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12. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Beginning balance	₩	31,422	₩	69,244
Severance payments		(6,675)		(48,721)
Provisions		11,337		10,899
		36,084		31,422
Less : Deposits to the National Pension Fund		(238)		(292)
Severance pension deposits		(27,019)		(21,033)
	₩	8,827	₩	10,097

As of December 31, 2010, the Company estimates severance payable to all employees to be ₩36,084 million (2009: ₩31,422 million) and records the corresponding amount as accrued severance benefits. Also, the Company funded 74.8% (2009: 66.9%) of severance payable through severance insurance deposits with Samsung Life Insurance Company and others.

The details of the severance pension deposits as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Time deposits	₩	4,203	₩	4,200
ELS(Equity-Linked Securities)		11,768		7,500
Derivative Linked Securities		11,048		9,333
(Principal and interest assured)				
	₩	27,019	₩	21,033

13. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2010 and 2009, monetary assets and liabilities denominated in foreign currencies are as follows:

<i>(in thousands of foreign currencies, in millions of Korean won)</i>	2010				2009			
	Foreign currency		Korean won equivalent		Foreign currency		Korean won equivalent	
Cash and cash equivalents	USD	100	₩	114	USD	298	₩	348
	HKD	450		66	HKD	450		68
	Others	-		30	Others	-		20
Short-term borrowings	USD	4,000		4,556	-	-		-

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14. Capital Stock

The Company is authorized to issue 1,500 million shares with a par value per share of ₩ 500. As of December 31, 2010, 84.7 million shares (2009: 84.7 million) of common stock and 19.4 million shares (2009: 19.4 million) of preferred stock are issued outstanding.

When the dividend rate of common stock exceeds the dividend rate of preferred stock (over 9% of the par value according to the resolution of the Board of Directors), the preferred stock has the right to receive dividends at the same rate with the common stock for the exceeding rate.

15. Treasury stock

As of December 31, 2010, the Company has treasury stock, consisting of 6,373,673 shares of common stock and 3,835,484 shares of preferred stock, and certain treasury shares are deposited with Daewoo Securities Co., Ltd.

16. Stock Options

As of December 31, 2010, the summary of stock options to be granted to employees that have not exceeded its vesting period, is as follows:

Date of the first announcement	:	August 10, 2010
Date of grant(plan)	:	April 20, 2011
Type	:	Issuance of shares
Exercise period	:	April 20, 2011 ~ April 27, 2011
Vesting conditions	:	Serving from July 1, 2010 to December 31, 2010 and achieving performance goals
Exercise price ¹	:	Standard price of common stock * (1-discount rate)
Shares to be granted ²	:	150,000 shares

¹ The standard price of common stock is calculated as mathematical average of closing price as of December 31, 2010, the reference date, one month average closing price, one week average closing price rolled-back from the reference date. The discount rate is 50% or 100%.

² Shares to be issued can be replaced with preferred stock in equivalent value, according to the employees' choice.

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The summary of stock options granted to employees that have expired during the year ended December 31, 2010, is as follows:

Date of first announcement	:	January 26, 2010
Date of grant	:	October 18, 2010
Type	:	Issuance of shares
Exercise period	:	October 18, 2010 ~ October 25, 2010
Vesting conditions	:	Serving from January 1, 2010 to June 30, 2010 and achieving performance goals
Exercise price ¹	:	Standard price of common stock * (1-discount rate)
Shares to be granted ²	:	335,464 shares

¹ The standard price of common stock was ₩ 5,380 and the discount rate was 50% or 100%

² Shares to be issued can be replaced with preferred stock in equivalent value, according to the employees' choice. The standard price of preferred stock for replacement was ₩ 3,260 per share. Vested stock options of 281,901 of common shares and 64,563 of preferred shares were exercised and unexercised options have lapsed.

Changes in stock options for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Beginning balance	2,019	1,568
Compensation cost	1,919	3,657
Exercise/Forfeiture	(3,091)	(3,206)
Ending balance	<u>847</u>	<u>2,019</u>

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17. Retained Earnings

Retained earnings as of December 31, 2010 and 2009, consist of:

<i>(in millions of Korean won)</i>	2010		2009	
Statutory reserve				
Legal reserve ¹	₩	32,300	₩	32,300
Other reserves				
Reserve for business rationalization		1,233		1,233
Reserve for improvement of financial structure		30,000		30,000
Reserve for business improvement		110,000		110,000
Reserve for investment of new business		185,272		162,272
Reserve for dividend equalization		35,000		30,000
Reserve for investment of CSR		5,000		-
		<u>366,505</u>		<u>333,505</u>
Unappropriated retained earnings		<u>42,197</u>		<u>43,617</u>
Retained earnings	₩	<u>441,002</u>	₩	<u>409,422</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

18. Sales

Sales for the years ended December 31, 2010 and 2009, consist of:

<i>(in millions of Korean won)</i>	2010		2009	
Publishing sales	₩	736,926	₩	741,501
School Business sales		58,850		58,652
Book Collection sales		42,319		27,389
G-camp sales		3,215		3,196
Others		<u>18,713</u>		<u>14,749</u>
	₩	<u>860,023</u>	₩	<u>845,487</u>

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19. Cost of Sales

Cost of sales for the years ended December 31, 2010 and 2009, consists of:

<i>(in millions of Korean won)</i>	2010	2009
Publishing cost of sales	₩ 604,345	₩ 608,973
School Business cost of sales	49,488	48,128
Book Collection cost of sales	44,280	24,445
G-camp cost of sales	3,380	3,268
Others	10,053	13,108
	<u>₩ 711,546</u>	<u>₩ 697,922</u>

20. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2010 and 2009, consist of:

<i>(in millions of Korean won)</i>	2010	2009
Salaries	₩ 14,294	₩ 14,106
Severance benefits	1,081	1,152
Employee benefits	4,533	4,857
Depreciation	5,729	6,519
Advertising expenses	29,532	31,679
Service fees	14,039	13,844
Amortization	2,897	2,995
Others	13,526	12,319
	<u>₩ 85,631</u>	<u>₩ 87,471</u>

21. Income Taxes

Income tax expense for the years ended December 31, 2010 and 2009, consists of:

<i>(in millions of Korean won)</i>	2010	2009
Current income taxes	₩ 17,897	₩ 23,031
Deferred income taxes from temporary differences	11,621	12,981
Deferred income taxes charged directly to the shareholders' equity	(9,818)	(14,267)
Income taxes directly charged to the shareholders' equity	696	-
Additional income taxes for prior year (refunds)	(668)	5,305
Income tax expense	<u>₩ 19,728</u>	<u>₩ 27,050</u>

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Deferred income taxes charged directly to the shareholders' equity for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Gain on valuation of available-for-sale securities	₩ (8,934)	₩ (12,648)
Loss on valuation of available-for-sale securities	(884)	(1,619)
	<u>₩ (9,818)</u>	<u>₩ (14,267)</u>

The reconciliation between net income before income tax and income tax expense for the years ended December 31, 2010 and 2009, is as follows:

<i>(in millions of Korean won)</i>	2010	2009
Net income before tax expenses	<u>₩ 69,177</u>	<u>₩ 83,540</u>
Income tax based on statutory rate (24.2%)	₩ 16,741	₩ 20,192
Adjustments		
Permanent differences	1,773	4,038
Changes in deferred income taxes at the beginning	1,065	(2,101)
Additional income tax (refunds)	(668)	5,305
Tax credit	-	(600)
Changes in the statutory tax rate	502	-
Changes in amount of unrealizable deferred tax assets(liabilities)	349	-
Others	(34)	216
	<u>2,987</u>	<u>6,858</u>
Income tax expense	<u>₩ 19,728</u>	<u>₩ 27,050</u>
Effective tax rate (Income tax expense over net income before tax expense)	28.5%	32.4%

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The income tax effects of temporary differences, and related deferred tax assets and liabilities as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010					
	Temporary differences			Deferred tax assets(liabilities)		
	Beginning	Increase (decrease)	Ending	Ending	Current	Non - current
Long-term accrued expenses	₩ 2,408	₩ (2,386)	₩ 22	₩ 5	₩ -	₩ 5
Interest income	(469)	109	(360)	(87)	(87)	-
Securities	(161,138)	(44,595)	(205,733)	(45,336)	(826)	(44,510)
Accrued severance benefits	20,775	4,464	25,239	5,553	-	5,553
Suspense payments	929	(433)	496	109	-	109
Severance insurance deposits	(15,845)	(9,890)	(25,735)	(5,662)	-	(5,662)
Equity-method investments	44,488	5,665	50,153	-	-	-
Property and equipment	2,126	861	2,987	657	-	657
Intangible assets	7,948	(1,760)	6,188	1,361	-	1,361
Gain or loss on foreign currency translation	356	(330)	26	6	6	-
Allowance for bad debts	5,524	1,957	7,481	1,811	1,811	-
Accrued expenses	2,401	1,118	3,519	852	852	-
Provisions for sales returns	2,434	(2,061)	373	90	90	-
Provisions for mileage program	-	934	934	226	226	-
Provisions for advanced depreciation	(68,027)	9,227	(58,800)	-	-	-
	<u>₩ (156,090)</u>	<u>₩ (37,120)</u>	<u>₩(193,210)</u>	<u>₩ (40,415)</u>	<u>₩ 2,072</u>	<u>₩ (42,487)</u>

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(in millions of Korean won)	2009					
	Temporary differences			Deferred tax assets(liabilities)		
	Beginning	Increase (decrease)	Ending	Ending	Current	Non - current
Long-term accrued expenses	₩ 4,891	₩ (2,483)	₩ 2,408	₩ 530	₩ -	₩ 530
Interest income	(525)	56	(469)	(114)	(114)	-
Securities	(90,502)	(70,636)	(161,138)	(35,368)	905	(36,273)
Accrued severance benefits	44,116	(23,341)	20,775	4,571	-	4,571
Suspense payments	-	929	929	204	-	204
Severance insurance deposits	(44,116)	28,271	(15,845)	(3,486)	-	(3,486)
Equity-method investments	26,825	17,663	44,488	-	-	-
Property and equipment	558	1,568	2,126	468	-	468
Intangible assets	3,127	4,821	7,948	1,808	-	1,808
Gain or loss on foreign currency translation	(361)	717	356	86	86	-
Allowance for bad debts	5,647	(123)	5,524	1,337	1,337	-
Accrued expenses	1,852	549	2,401	581	581	-
Provisions for sales returns	834	1,600	2,434	589	589	-
Provisions for mileage program	157	(157)	-	-	-	-
Provisions for advanced depreciation	(102,882)	34,855	(68,027)	-	-	-
	<u>₩ (150,379)</u>	<u>₩ (5,711)</u>	<u>₩(156,090)</u>	<u>₩ (28,794)</u>	<u>₩ 3,384</u>	<u>₩ (32,178)</u>

The gross balances of deferred tax assets and liabilities as of December 31, 2010 and 2009, are as follows:

(in millions of Korean won)	2010		2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current	₩ 3,557	₩ 1,485	₩ 4,042	₩ 658
Non-current	<u>7,802</u>	<u>50,289</u>	<u>7,795</u>	<u>39,973</u>
	<u>₩ 11,359</u>	<u>₩ 51,774</u>	<u>₩ 11,837</u>	<u>₩ 40,631</u>

The tax effect of cumulative temporary differences was calculated based in future tax rates of the fiscal years when temporary differences are expected to reverse. The 24.2% and 22% tax rates were used for temporary differences expected to reverse in year 2011 and 2012, and thereafter, respectively.

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Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future (deductible) tax benefits are determined to be realizable as of December 31, 2010. However, the Company did not recognize deferred tax assets (liabilities) on the temporary differences incurred from the valuation of equity method investments and provisions for advanced depreciation of long-term investments as it is not probable that differences will be reversed in the future.

22. Earnings Per Share

Basic earnings per share for the years ended December 31, 2010 and 2009, are calculated as follows:

		2010		2009
Net income attributable to common stocks ¹	₩	41,189 million	₩	46,896 million
Weighted average number of common stocks outstanding ²		78,122,820		78,822,268
Basic earnings per share	₩	527	₩	595

¹ Net income attributable to common stock follows:

(in millions of Korean won)		2010		2009
Net income	₩	49,449	₩	56,490
Preferred stock dividends		(3,558)		(1,683)
Additional income available for dividends allocated to preferred stock		(4,702)		(7,911)
Net income attributable to common stock	₩	41,189	₩	46,896

² Weighted average numbers of common stock are calculated as follows:

		2010		2009
Total issued shares		77,859,069		79,868,470
Changes in treasury shares		263,751		(1,046,202)
Weighted average number of common stocks outstanding		78,122,820		78,822,268

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There are no outstanding dilutive securities outstanding as of December 31, 2010 and 2009.
Accordingly, diluted earnings per share is identical to basic earnings per share.

23. Comprehensive income

Comprehensive income for the years ended December 31, 2010 and 2009, consists of:

<i>(in millions of Korean won)</i>	2010		2009	
Net income	₩	44,449	₩	56,490
Other comprehensive income and expense				
Gain on valuation of available-for-sale securities, net of tax of ₩(8,934) (2009: ₩(12,655))		31,385		44,829
Loss on valuation of available-for-sale securities, net of tax of ₩(884) (2009: ₩(1,612))		2,770		5,077
Gain on valuation of equity-method investments		455		(849)
Loss on valuation of equity-method investments		369		(550)
Comprehensive income	₩	84,428	₩	104,997

24. Dividends

The Company's dividends for the years ended December 31, 2010 and 2009, are computed as follows:

(1) Interim dividends (date of dividends : June 30, 2010 and 2009, respectively)

	2010		2009	
	Common stock	Preferred stock	Common stock	Preferred stock
Number of shares eligible for dividends	78,047,267	15,282,513	77,859,069	15,301,087
Dividend rate	18%	18%	30%	30%
Dividend amount	₩ 7,024 million	₩ 1,376 million	₩ 11,820 million	₩ 2,363 million

(2) Annual dividends (date of dividends : December 31, 2010 and 2009, respectively)

	2010		2009	
	Common stock	Preferred stock	Common stock	Preferred stock
Number of shares eligible for dividends	78,329,177	15,591,506	77,859,069	15,301,087
Dividend rate	26%	28%	20%	22%
Dividend amount	₩10,183 million	₩ 2,183 million	₩ 7,786 million	₩ 1,683 million

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The Company's dividend payout ratios and dividend yield ratio for the years ended December 31, 2010 and 2009, are computed as follows:

	2010	2009
Dividend payout ratio (Dividend amount ¹ / Net income)	42.0%	41.9%
Dividend yield ratio (Dividend per share / Market price ²)		
Common stock	3.5%	4.3%
Preferred stock	5.4%	8.3%

¹ Amount of interim dividends is included.

² Mathematical average of closing prices at the market during a week preceding two days before the date of the stockholders of record.

25. Related Party Transactions

The parent company is Daekyo Holdings Co., Ltd.

The related parties for the years ended December 31, 2010 and 2009, are as follows:

Parent company Daekyo Holdings Co., Ltd.

Subsidiary Fermatedu Co., Inc.

Equity-method investees Daekyo Bookscan Co., Ltd., Daekyo America, Inc., Daekyo Hong Kong Co., Ltd., Beijing Daekyo Co., Ltd., Daekyo Book Center Co., Ltd., Daekyo EOL Co., Ltd., Daekyo Malaysia Sdn. Bhd., Sanghai Daekyo Co., Ltd., Child-Care Consortium, Daekyo CSA Co., Ltd., Daekyo Sobics Co., Ltd., P.T Daekyo Indonesia, Daekyo Enopi Singapore PTE Ltd¹, Interesting Creative Co., Ltd.²

Other related parties Daekyo D&S Co., Ltd., Daekyo Publishing Co., Ltd., Twohandsmedia Co., Ltd., Daekyo CNS Co., Ltd., Shindaeshin Construction Co., Ltd., Tara TPS Co., Ltd., Daekyo Culture Foundation, BongAm School Foundation, BongAm Institute, Daekyo ENC Co., Ltd., Shindaeshin Construction Co., Ltd., Korea Scout Association, Gasan Co., Ltd., Tara Graphics Co., Ltd., Gangwon Deep Sea Water Co., Ltd., World Youth Foundation

¹ The entity was newly incorporated in 2010.

² The entity was liquidated in 2010.

Significant transactions, which occurred in the normal course of business with related companies for the years ended December 31, 2010 and 2009, and their related balances as of December 31, 2010 and 2009, are as follows:

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	Sales		Purchases		Receivables		Payables	
<i>(in millions of Korean won)</i>								
Parent company	₩	1	₩	757	₩	-	₩	345
Subsidiary		139		50		1,400		-
Equity-method investees		4,083		8,571		4,008		549
Other related parties		765		73,591		7,442		12,816
2010	₩	4,988	₩	82,969	₩	12,850	₩	13,710
2009	₩	4,384	₩	85,364	₩	12,683	₩	11,955

Details of the compensation for key management are as follows:

<i>(in millions of Korean won)</i>		2010	2009
Short-term salaries	₩	3,633	₩ 3,688
Severance benefits		1,550	1,318
	₩	5,183	₩ 5,006

Key management refers to the directors who have significant control and responsibilities on the Company's operations and business.

26. Commitments and Contingencies

As of December 31, 2010, the Company has credit agreements with Woori Bank up to ₩25,000 million in relation to a corporate purchase card programs.

As of December 31, 2010, the Company provides short-term financial instruments as collaterals amounting to ₩4,060 million for certain lessees in connection with the lessees' guarantee deposits. Seoul Guarantee Insurance Co., Ltd. has provided performance guarantees of up to ₩1,131 million for the Company's contracts.

The Company has an intellectual property right agreement for 'Noon-no-pi Math' with Two Hands Media Co., Ltd. Royalty expense paid in connection with this agreement amounted ₩1,992 million (2009: ₩1,994 million) in 2010.

The Company entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Company pays instructors a certain percentage of monthly cash collections from its educational service members. Expenses in relation to these contracts amounted to ₩350,250 million (2009: ₩ 357,991million) in 2010.

As of December 31, 2010, the Company is either a plaintiff in three legal cases or a defendant in five legal cases. As of the date of the statement of financial position, the Company believes that, although the outcome of these cases is uncertain, they would not result in a material ultimate loss for the Company. Accordingly, no provision for potential losses arising from these claims is reflected in the accompanying financial statements.

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27. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Reclassification of current maturities of long-term financial instruments	₩ -	₩ 2,440
Reclassification of current maturities of long-term loans	473	1,592
Reclassification to short-term investments from long-term investments	25	-
Reclassification to equipment from construction-in-progress	1,908	291
Reclassification to software and others from development costs	3,071	2,000
Reclassification to right to use donated assets from initial throw-in equipment	12,032	1,191

28. Acquisition of Business

On September 1, 2010, the Company acquired the online business engaging in internet book sales business from Libro Co., Ltd. in order to reinforce its online business. The Company recognized the assets and liabilities acquired at fair value, and charged the excess of the cost of acquisition over the fair value of the net identifiable assets acquired as goodwill amounting to ₩ 1,258 million. Goodwill is amortized over a five-year useful life.

29. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2010 and 2009, consist of:

<i>(in millions of Korean won)</i>	2010	2009
Salaries	₩ 117,761	₩ 125,174
Severance benefits	12,441	10,899
Employee benefits	27,496	28,702
Rental charges	22,355	17,723
Depreciation	16,366	10,361
Taxes and dues	2,035	2,066
	<u>₩ 198,454</u>	<u>₩ 194,925</u>

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30. Operating Results for the Final Interim Period

Significant operating results for the three-month periods ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won, except per share amounts)</i>	2010 Q4		2009 Q4	
Sales	₩	219,017	₩	212,379
Cost of sales		183,026		180,191
Operating income		15,571		14,880
Net income(loss) for the period		8,545		(3,008)
Basic earnings(loss) per share		89		(33)

31. Adoption of K-IFRS

Plans and Progress for adoption of K-IFRS

The Company will prepare its financial statements in accordance with International Financial Reporting Standards adopted by the Republic of Korea ("K-IFRS") from 2011. The task force for adoption of K-IFRS was organized on May 2008. It has analyzed the effects of K-IFRS on the Company and performed internal and external training for the related personnel. The Company has completed the accounting system development and improvement for the adoption of K-IFRS until the end of December 2010 with periodic reports to the management.

The details of the progress of K-IFRS adoption are as follows:

Key activities	Plans	Current status
Organization of the K-IFRS adoption task force team and analysis of the effects of K-IFRS	Preparation of adoption of K-IFRS led by K-IFRS task force until the end of 2010	- 2008.5: Organization of task force for K-IFRS adoption - 2008.6 – 2008.8: Preliminary study (financial impact analysis on adopting K-IFRS) - 2009.6 – 2010.12: Determination of accounting policies under K-IFRS
Training	Acquisition of expertise in K-IFRS until the end of 2010	- 2008.5 – 2010.12: (1) Training on K-IFRS for working level personnel including the personnel of subsidiaries (2) Training on K-IFRS for the related parties (3) Periodic reporting to the management
Accounting system Improvement	Development and improvement of accounting system for K-IFRS reporting	-Completion of development and improvement of accounting system

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The significant differences between current accounting policies and new policies adopted by the Company in accordance with the K-IFRS are as follows:

Categories		New Policies under K-IFRS	Current Policies
The first adoption of K-IFRS	Business combination	The exemptions for business combination apply to all business combinations that occurred before the date of transition (2010.1.1).	N/A
	Deemed cost	Certain equipment and vehicles are measured at the date of transition at fair value.	N/A
	Investments in subsidiaries	Carrying amount of investments in subsidiaries, joint ventures and associates under previous GAAP for separate financial statements are recorded at cost on the date of transition.	N/A
Changes in consolidated companies		Regardless of amount of total assets, a subsidiary over which a parent company has control is consolidated.	A subsidiary whose total assets are less than ₩10 billion is excluded from consolidation.
Investments in subsidiaries, joint ventures and associates under separate financial statements.		Apply the cost method.	Apply the equity method.
Financial asset and liability		The financial assets which are classified as loans and receivables are recognized as a fair value, the difference from nominal price is depreciated by applying effect interest method, and other financial liabilities are measured at amortized cost by applying the effect interest method.	About the trade of long- term deferred payment sales, it is to perform the evaluation which depends on the current values when the difference between nominal price and the current values is important.
Post-employment benefits		Defined benefit obligation is estimated using actuarial valuation.	Accrued severance benefits represent the amount which would be payable assuming all eligible directors and employees were to terminate their employment at each closing date.
Investment property		Property held to earn rentals or for capital appreciation or both shall be classified as an investment property.	Classify as fixed asset.
Intangible asset with indefinite useful life		An intangible asset with an indefinite useful life shall not be amortized, but subject to regular impairment testing.	Amortize over reasonable period less than 20 years unless it is defined otherwise by law or contract.
Goodwill or the gain from a bargain purchase		Goodwill shall not be amortized, but subject to regular impairment. The gain from a bargain purchase is recognized in profit or loss on the acquisition date.	The goodwill is depreciated as straight-line method and the gain from a bargain purchase is reversed through a weighted average of non-monetary asset.
Membership		Classify as intangible assets with indefinite useful life.	Classify as long-term deposit in non-current assets.

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Categories	New Policies under K-IFRS	Current Policies
Deferred income taxes	Classify as non-current assets or liabilities.	Deferred income tax assets and liabilities are classified into current and non-current portions.
Customer's loyalty system	Recognized as complex transaction. Related revenue is deferred until the mileage points are used.	Recognized as provision liabilities based on the estimation of the future expense.
Allowance for bad debts	Recognized to the amount of estimated loss whenever objective signs of impairment exist.	Recognized to the amount of objectively and rationally determined estimation.
Change of depreciation and amortization method	Only straight line method is used for tangible / intangible assets except for some part of development cost (declining balance method).	Both declining balance method and straight line method are used.

Changes in Consolidation under K-IFRS

The following entities are newly included in the consolidation as of December 31, 2010. The entities were excluded from the consolidation as their total assets did not qualify them under the current K-GAAP:

Daekyo Bookscan Co., Ltd., Daekyo Book Center Co., Ltd., Daekyo EOL Co., Ltd.,
Daekyo CSA Co., Ltd., Daekyo Sobics Co., Ltd., Daekyo America, Inc., Daekyo Hong Kong Co.,
Ltd., Beijing Daekyo Co., Ltd., Daekyo Malaysia Sdn. Bhd., Sanghai Daekyo Co., Ltd.,
P.T Daekyo Indonesia, Daekyo Enopi Singapore PTE Ltd.

32. Approval of Financial Statements

The December 31, 2010 non-consolidated financial statements were approved by the Board of Directors on February 21, 2011.

Report of Independent Accountants'
Review of Internal Accounting Control System

To the President of
Daekyo Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Daekyo Co., Ltd. (the "Company") as of December 31, 2010. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS, the Company's IACS has been designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2010, and we did not review management's assessment of its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
March 7, 2011