

**JEI SELF-LEARNING SYSTEMS, INC.**

**FINANCIAL STATEMENTS**

**EXHIBIT E TO THE OFFERING CIRCULAR**

**BEN J. JHUN, CPA**  
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Glendale, CA 91214

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Board of Directors  
JEI Self-Learning Systems, Inc.  
Los Angeles, California

We have audited the accompanying balance sheet of JEI Self-Learning Systems, Inc. as of December 31, 2005, and the related statements of earnings, retained earnings and cash flows for the five months then ended. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. These 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 amount 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the JEI Self-Learning Systems, Inc. as of December 31, 2005, and results of its operations for the five months then ended, in conformity with generally accepted accounting principles.

*Ben J. Jhun*

Glendale, California  
January 26, 2006

# **JEI SELF-LEARNING SYSTEMS, INC.**

**December 31, 2005**

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JEI SELF-LEARNING SYSTEMS, INC.

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

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For the Year Ended December 31, 2005

JEI SELF-LEARNING SYSTEMS, INC.  
BALANCE SHEET  
December 31, 2005  
With comparative totals at December 31, 2004

Assets

	<u>2005</u>	<u>2004</u>
<b>Current Assets</b>		
Cash (Note D)	\$10,971,576	\$11,083,908
Accounts Receivable	115,532	91,519
Advance to Officer	50,000	54,786
Due from Other Office (Note E)	22,316	22,316
Inventory - Educational supplies (Note A & F)	156,413	145,336
Total Current Assets	<u>11,315,837</u>	<u>11,397,865</u>
 <b>Property and Equipment (Note A)</b>		
Machinery and Equipment	77,973	71,427
Furniture and Fixtures	39,796	39,796
Total Property and Equipment	<u>117,769</u>	<u>111,223</u>
Accumulated Depreciation	<u>(111,496)</u>	<u>(107,390)</u>
Net Property and Equipment	6,273	3,833
 <b>Other Assets</b>		
Refundable Deposits (Note H)	<u>77,012</u>	<u>6,890</u>
Total Other Assets	<u>77,012</u>	<u>6,815</u>
 <b>Total Assets</b>	 <u><u>\$11,399,122</u></u>	 <u><u>\$11,408,588</u></u>

See accompanying notes and accountants' report  
which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
BALANCE SHEET  
December 31, 2005  
With comparative totals at December 31, 2004

Liabilities

	2005	2004
<b>Current Liabilities</b>		
Accounts Payable	\$ 384,255	\$ 352,764
Income tax payable		\$ 160,000
Due to Other Office (Note E)	97,088	98,889
<b>Total Current Liabilities</b>	481,343	611,653
<b>Long Term Debt</b>		
Contract Payable	935	-
Franchisee Deposit	108,309	115,809
Loan from Stockholders		6,301
<b>Total Long Term Debt</b>	109,244	122,110
<b>Total Liabilities</b>	590,587	733,763

Stockholders' Equity

Common Stock, \$100 par value, 7,000 shares authorized and outstanding (Note B)	10,600,000	10,600,000
Foreign Exchange Gain (Loss)	3,300	4,713
Retained Earnings	205,235	70,112
<b>Total Stockholders' Equity</b>	10,808,535	10,674,825
<b>Total Liabilities and Stockholders' Equity</b>	\$11,399,122	\$11,408,588

See accompanying notes and accountants' report  
which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
 STATEMENT OF EARNINGS (LOSS)  
 For the Year Ended December 31, 2005 with comparative totals of 2004

	2005	2004
Sales		
Franchise Fees	\$ 951,595	\$ 1,022,028
Tutoring Service	242,078	235,162
Sales	10,393	21,988
Miscellaneous	48,472	63,657
Total sales	<u>1,252,538</u>	<u>1,342,835</u>
Cost of Sales		
Beginning Inventory	145,336	161,723
Purchase	92,132	65,790
Freight & Insurance	11,117	33,970
Customs duty & Brokerage	23,265	8,913
Ending Inventory	<u>(156,413)</u>	<u>(145,336)</u>
Total Cost of Sales	<u>115,437</u>	<u>125,060</u>
Gross Profit	<u>1,137,101</u>	<u>1,217,775</u>
General and Administrative Expenses		
Advertising	113,429	146,623
Automotive Expense	30,307	16,757
Bad Debt expense	7,304	5,453
Meeting and Conference Expense	52,447	30,180
Depreciation	4,106	12,647
Educational Training	21,673	47,150
Dues and Subscription	4,102	4,052
Employee Benefits	75,309	78,562
Entertainment	7,493	14,885
Postage and Delivery	4,870	6,140
Gift and Awards	16,118	21,907
Insurance	4,798	2,747
Interest	377	
Legal and Accounting	81,376	35,978
Office Supplies	17,527	20,202
Outside Service	5,584	8,899
Payroll taxes	49,461	49,706
Printing	17,984	4,427
Professional Fees	8,113	11,756
Promotional Expense	3,910	10,514
Rent-Office	93,225	84,527
Rent-Equipment	3,168	2,152
Repair & maintenance	1,752	1,233
Salaries	563,808	552,057
Taxes and License	32,946	4,692
Telephone	16,600	17,839
Travel	42,678	47,457
Contribution		
Miscellaneous	1,538	1,652
Total General and Administrative Expenses	<u>1,282,003</u>	<u>1,240,194</u>
Earnings From Operation	<u>(144,902)</u>	<u>(22,419)</u>
Other Income (Expenses)	375,525	428,605
Provision for Income Taxes	<u>(95,500)</u>	<u>(180,912)</u>
Net Earnings (Loss)	<u>\$ 135,123</u>	<u>\$ 225,274</u>

See accompanying notes and accountants' report  
 which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
STATEMENT OF RETAINED EARNINGS  
For the Year Ended December 31, 2005 with comparative totals of 2004

	<u>2005</u>	<u>2004</u>
Beginning Retained Earnings	\$ 70,112	\$ (155,162)
Net Earnings (Loss)	<u>135,123</u>	<u>225,274</u>
Ending Retained Earnings	<u>\$ 205,235</u>	<u>\$ 70,112</u>

See accompanying notes and accountants' report  
which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
 STATEMENT OF CASH FLOWS  
 For the Year Ended December 31, 2005 with comparative totals of 2004

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 135,123	\$ 225,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,106	12,647
Foreign exchange gain (loss)	(1,413)	2,200
Increase (decrease) in accounts payable	(128,509)	(27,380)
Increase (decrease) in income tax payable		160,000
Increase (decrease) in contract payable	935	
Increase (decrease) in worksheet deposits	(7,500)	(6,000)
Decrease (increase) in loan from stockholder	(6,301)	
Decrease (increase) in advance to officer	4,786	5,000
Decrease (increase) in due to other office	(1,801)	-
Decrease (increase) in accounts receivable	(24,013)	(4,610)
Decrease (increase) in inventory	(11,077)	16,387
Decrease (increase) in other assets	(70,122)	(75)
Net Cash Provided By Operating Activities	(105,786)	383,443
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures, and equipments	(6,546)	(3,984)
Net Cash Used By Investing Activities	(6,546)	(3,984)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuing common stock	-	-
Net Cash Provided By Financing Activities	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	(112,332)	379,459
<b>CASH AT BEGINNING OF YEAR</b>	11,083,908	10,704,449
<b>CASH AT END OF YEAR</b>	\$10,971,576	\$11,083,908

See accompanying notes and accountants' report  
 which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2005

**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of JEI SELF-LEARNING SYSTEMS, INC. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Business Activity**

The Company is established by Jaeneung Education Co., Ltd., Seoul, Korea (100% stock owner) who is engaged in the franchise business of tutoring institutes in Korea. The Company is engaging in the same type of business in the United States. The Company is providing after-school-tutoring services primarily to elementary school students focusing on mathematics through its franchisee classes. On September 10, 1998, The Company changed its name from Jaeneung Educational Institute, Inc. to JEI America, Inc., and on July 29, 2004 to JEI Self-Learning Systems, Inc. with doing business-as of JEI Self Learning System.

**Inventories**

Inventories consist primarily of educational materials and are stated at cost. Educational materials are provided to the students as part of the course without additional charges. Those of returnable and unused materials that are kept by the Company's franchisees are included in inventories.

**Property and Equipment**

Property and equipment are carried at cost. For financial reporting purposes, depreciation of property and equipment is provided on the straight-line methods.

**Income Taxes**

The Company provides deferred taxes for differences between tax and financial reporting of depreciation.

**NOTE B- STOCKHOLDER'S EQUITY**

All of 106,000 shares of common stocks, par value \$100 are issued and outstanding as of December 31, 2005 solely funded by JEI Corporation in Korea and its subsidiary companies.

**NOTE C- ESTABLISHMENT OF BRANCH OFFICES**

The Company has established its branch offices in New Jersey in May 1994 and in Vancouver in June 1998 respectively to engage in the same franchise business of tutoring in East coast and Canada.

**BEN J. JHUN, CPA**  
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Glendale, CA 91214

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Board of Directors  
JEI Self-Learning Systems, Inc.  
Los Angeles, California

We have audited the accompanying balance sheet of JEI Self-Learning Systems, Inc. as of December 31, 2004, and the related statements of earnings, retained earnings and cash flows for the year then ended. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. These 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 amount 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the JEI Self-Learning Systems, Inc. as of December 31, 2004, and results of its operations for the year then ended, in conformity with generally accepted accounting principles.

*Ben J. Jhun*

Glendale, California  
April 8, 2005

# JEI SELF-LEARNING SYSTEMS, INC.

December 31, 2004

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**JEI SELF-LEARNING SYSTEMS, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**\* \* \***

**For the Year Ended December 31, 2004**

JEI SELF-LEARNING SYSTEMS, INC., INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of JEI Self-Learning Systems., Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Business Activity**

The Company is established by Jaeneung Education Co., Ltd., Seoul, Korea (100% stock owner) who is engaged in the franchise business of tutoring institutes in Korea. The Company is engaging in the same type of business in the United States. The Company is providing after-school-tutoring services primarily to elementary school students focusing on mathematics through its franchisee classes. On September 10, 1998, The Company changed its name from Jaeneung Educational Institute, Inc. to JEI Self-Learning Systems., Inc. with doing-business-as of JEI Learning Center.

**Inventories**

Inventories consist primarily of educational materials and are stated at cost. Educational materials are provided to the students as part of the course without additional charges. Those of returnable and unused materials that are kept by the Company's franchisees are included in inventories.

**Property and Equipment**

Property and equipment are carried at cost. For financial reporting purposes, depreciation of property and equipment is provided on the straight-line methods.

**Income Taxes**

The Company provides deferred taxes for differences between tax and financial reporting of depreciation.

**NOTE B- STOCKHOLDER'S EQUITY**

All of 106,000 shares of common stocks, par value \$100 are issued and outstanding as of December 31, 2004 solely funded by JEI Corporation in Korea and its subsidiary companies.

**NOTE C- ESTABLISHMENT OF BRANCH OFFICES AND NAME CHANGE**

The Company has established its branch offices in New Jersey in May 1994 and in Vancouver in June 1998 respectively to engage in the same franchise business of tutoring in East coast and Canada. The Company has changed its name from JEI America, Inc. to JEI Self-Learning Systems, Inc. to reflect its business character more precisely.

JEI SELF-LEARNING SYSTEMS, INC.  
BALANCE SHEET  
December 31, 2004  
With comparative totals at December 31, 2003

Assets

	<u>2004</u>	<u>2003</u>
<b>Current Assets</b>		
Cash (Note D)	\$11,083,908	\$10,704,449
Accounts Receivable	91,519	86,909
Advance to Officer	54,786	59,786
Due from Other Office (Note E)	22,316	22,316
Inventory - Educational supplies (Note A & F)	145,336	161,723
<b>Total Current Assets</b>	<u>11,397,865</u>	<u>11,035,183</u>
<b>Property and Equipment (Note A)</b>		
Machinery and Equipment	71,427	67,443
Furniture and Fixtures	39,796	39,796
<b>Total Property and Equipment</b>	<u>111,223</u>	<u>107,239</u>
Accumulated Depreciation	(107,390)	(94,743)
<b>Net Property and Equipment</b>	<u>3,833</u>	<u>12,496</u>
<b>Other Assets</b>		
Refundable Deposits	6,890	6,815
<b>Total Other Assets</b>	<u>6,890</u>	<u>6,815</u>
 <b>Total Assets</b>	 <u><u>\$11,408,588</u></u>	 <u><u>\$11,054,494</u></u>

See accompanying notes and accountants' report  
which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
BALANCE SHEET  
December 31, 2004  
With comparative totals at December 31, 2003

Liabilities

	2004	2003
Current Liabilities		
Accounts Payable	\$ 352,764	\$ 380,144
Income tax payable	\$ 160,000	
Due to Other Office (Note E)	98,889	98,889
Total Current Liabilities	611,653	479,033
Long Term Debt		
Franchisee Deposit	115,809	121,809
Loan from Stockholders	6,301	6,301
Total Long Term Debt	122,110	128,110
Total Liabilities	733,763	607,143

Stockholders' Equity

Common Stock, \$100 par value, 106,000 shares authorized and outstanding (Note B)	10,600,000	10,600,000
Foreign Exchange Gain (Loss)	4,713	2,513
Retained Earnings	70,112	(155,162)
Total Stockholders' Equity	10,674,825	10,447,351
Total Liabilities and Stockholders' Equity	\$11,408,588	\$11,054,494

See accompanying notes and accountants' report  
which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
 STATEMENT OF EARNINGS (LOSS)  
 For the Year Ended December 31, 2004 with comparative totals of 2003

	2004	2003
Sales		
Franchise Fees	\$ 1,022,028	\$ 1,126,805
Tutoring Service	235,162	215,200
Sales	21,988	15,484
Miscellaneous	63,657	5,539
Total sales	1,342,835	1,363,028
Cost of Sales		
Beginning Inventory	161,723	110,420
Purchase	65,790	161,207
Freight & Insurance	33,970	39,931
Customs duty & Brokerage	8,913	9,315
Ending Inventory	(145,336)	(161,723)
Total Cost of Sales	125,060	159,150
Gross Profit	1,217,775	1,203,878
General and Administrative Expenses		
Advertising	146,623	110,904
Automotive Expense	16,757	16,180
Bad Debt expense	5,453	
Meeting and Conference Expense	30,180	17,847
Depreciation	12,647	12,454
Educational Training	47,150	50,761
Dues and Subscription	4,052	7,131
Employee Benefits	78,562	64,361
Entertainment	14,885	29,934
Postage and Delivery	6,140	4,620
Gift and Awards	21,907	16,801
Insurance	2,747	8,814
Legal and Accounting	35,978	52,656
Office Supplies	20,202	26,537
Outside Service	8,899	1,085
Payroll taxes	49,706	48,219
Printing	4,427	1,078
Professional Fees	11,756	42,237
Promotional Expense	10,514	6,258
Rent-Office	84,527	82,881
Rent-Equipment	2,152	2,208
Repair & maintenance	1,233	4,139
Salaries	552,057	498,197
Taxes and License	4,692	5,485
Telephone	17,839	20,535
Travel	47,457	61,349
Contribution		1,500
Miscellaneous	1,652	996
Total General and Administrative Expenses	1,240,194	1,195,167
Earnings From Operation	(22,419)	8,711
Other Income (Expenses)	428,605	102,798
Provision for Income Taxes	(180,912)	(30,656)
Net Earnings (Loss)	\$ 225,274	\$ 80,853

See accompanying notes and accountants' report  
 which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
STATEMENT OF RETAINED EARNINGS  
For the Year Ended December 31, 2004 with comparative totals of 2003

	<u>2004</u>	<u>2003</u>
Beginning Retained Earnings	\$ (155,162)	\$ (236,015)
Net Earnings (Loss)	<u>225,274</u>	<u>80,853</u>
Ending Retained Earnings	<u>\$ 70,112</u>	<u>\$ (155,162)</u>

See accompanying notes and accountants' report  
which is an integral part of this financial statements.

JEI SELF-LEARNING SYSTEMS, INC.  
 STATEMENT OF CASH FLOWS  
 For the Year Ended December 31, 2004 with comparative totals of 2003

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 225,274	\$ 80,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,647	12,454
Foreign exchange gain (loss)	2,200	4,653
Increase (decrease) in accounts payable	(27,380)	92,153
Increase (decrease) in income tax payable	160,000	
Increase (decrease) in due to other office		1,361
Increase (decrease) in worksheet deposits	(6,000)	15,000
Decrease (increase) in advance to officer	5,000	(35,000)
Decrease (increase) in due from other office	-	(975)
Decrease (increase) in accounts receivable	(4,610)	(4,933)
Decrease (increase) in inventory	16,387	(51,303)
Decrease (increase) in other assets	(75)	(103)
Net Cash Provided By Operating Activities	383,443	114,160
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures, and equipments	(3,984)	(20,423)
Net Cash Used By Investing Activities	(3,984)	(20,423)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuing common stock		3,000,000
Net Cash Provided By Financing Activities	-	3,000,000
 <b>NET INCREASE (DECREASE) IN CASH</b>	 379,459	 3,093,737
<b>CASH AT BEGINNING OF YEAR</b>	<b>10,704,449</b>	<b>7,610,712</b>
<b>CASH AT END OF YEAR</b>	<b>\$11,083,908</b>	<b>\$10,704,449</b>

See accompanying notes and accountants' report  
 which is an integral part of this financial statements.