

Part 3: Financial Status and Operational Results

13. Financial Highlights

(Unit : In Million Baht)

Statements of financial position	2014	%	2013	%	2012	%
Assets:						
Cash and cash equivalents	11,414	11%	7,175	7%	8,780	9%
Inventories	11,552	11%	9,535	10%	9,196	10%
Other current assets	4,763	5%	5,072	5%	4,435	5%
Total current assets	27,729	27%	21,782	22%	22,411	24%
Property, plant and equipment, and investment properties	42,230	41%	42,479	44%	38,654	41%
Goodwill	26,722	26%	26,722	28%	26,722	28%
Other non-current assets	6,097	6%	6,181	6%	6,376	7%
Total assets	102,778	100%	97,164	100%	94,163	100
Liabilities and shareholders' equity:						
Short-term loans from financial institutions	6,000	6%	6,000	6%	6,000	6%
Trade and other payables	28,864	28%	26,998	28%	26,944	29%
Other current liabilities	7,238	7%	4,158	4%	4,036	4%
Total current liabilities	42,102	41%	37,156	38%	36,980	39%
Other liabilities	18,530	18%	22,970	24%	25,296	27%
Total liabilities	60,632	59%	60,126	62%	62,276	66%
Total shareholders' equity	42,146	41%	37,038	38%	31,887	34%
Total liabilities and shareholders' equity	102,778	100%	97,164	100%	94,163	100%

(Unit : In Million Baht)

Income statement	2014	%	2013	%	2012	%
Sales	121,845	100%	118,177	100%	112,136	100%
cost of sales and service	103,620	85%	100,490	85%	96,019	86%
Gross profit margin	18,225	15%	17,687	15%	16,117	14%
Rental, service and other income	13,550	11%	12,794	11%	11,596	10%
Total revenue	31,775	26%	30,481	26%	27,713	25%
Selling and administrative expense	21,793	18%	20,936	18%	18,577	17%
Profit before share of loss from investments in associates, finance cost and income tax expenses	9,982	8%	9,545	8%	9,136	8%
Share of loss from investments in associates	110	0%	-	-	-	-
Profit before finance cost and income tax expense	9,872	8%	9,545	8%	9,136	8%
Finance cost	866	1%	1,053	1%	1,295	1%
Profit before income tax expenses	9,006	7%	8,492	7%	7,841	7%
Income tax	1,756	1%	1,502	1%	1,748	2%
Profit for the year	7,250	6%	6,990	6%	6,093	5%
Non-controlling interests of the subsidiaries	15	0%	14	0%	19	0%
Equity holders of the company	7,235	6%	6,976	6%	6,074	5%

(Unit : In Million Baht)

Cash flows statements	2014	2013	2012
Cash flows from operating activities			
Profit before tax	9,005	8,492	7,841
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities	2,433	2,264	1,273
Net operating assets and liabilities	209	(684)	2,564
Net cash flows from operating activities	11,647	10,072	11,678
Net cash flows used in investing activities	(3,610)	(7,156)	(5,219)
Cash flows from financing activities			
Loans and others	(1,683)	(2,682)	(3,513)
Dividend paid	(2,102)	(1,821)	(1,571)
Dividend paid to non-controlling interest of the subsidiaries	(13)	(18)	(17)
Net cash flows used in financing activities	(3,798)	(4,521)	(5,101)
Net increase (decrease) in cash and cash equivalents	4,239	(1,605)	1,358
Cash and cash equivalents at beginning of year	7,175	8,780	7,422
Cash and cash equivalents at end of year	11,414	7,175	8,780

Financial Ratios	2014	2013	2012
Average inventory days	37	34	34
Average account payable days	98	98	99
Average account receivable days	1	1	1
Current ratio	0.7	0.6	0.6
Debt to equity ratio	0.6	0.7	0.9
Operating cash flow ratio	0.29	0.27	0.23
Interest coverage	11.4	9.1	7.1
Total liabilities to shareholder equity	1.4	1.6	2.0
Gross profit margin	15.0%	15.0%	14.4%
Operation profit margin	8.2%	8.1%	8.1%
Net Profit Margin	5.9%	5.9%	5.4%
Return on equity	18.3%	20.2%	21.9%
Return on assets	7.2%	7.3%	6.6%
Total assets turnover	1.2	1.2	1.2
Earning per share (Baht)	8.77	8.46	7.44
Dividend per share (Baht)	2.62	2.55	2.21
Net book, value per share (Baht)	51.1	44.9	38.7

14. Management's Discussion and AnalysisGeneral**Business environment**

Year 2014 started in challenging conditions with intensifying political unrest with the launch of the “shutdown Bangkok” campaign in January. Moreover as the early February’s elections were nullified by the Constitutional Court, Thailand was left with “caretaker” government which had limited authority to take decisions that would bind the next government. This situation caused delays in rice pledging scheme payments thus affecting spending power particularly in upcountry. In early May, Thai Constitutional Court’s ruling removed caretaker prime minister and nine of her cabinet ministers causing some pro-government protests, leading eventually to military to step in and announce a coup in late May. The coup put an end to months of street protests and blocked government. The long overdue rice pledging scheme payments were resumed and completed during June. Although Thai economy started generally to improve during the second half of the year after these events, the recovery was not as fast as some were expecting. Thai exports declined by -0.4% in 2014 from previous year’s level. Consumer confidence index that had been declining for 13 straight months until April 2014 started to rise after military coup in May it did not experience a rapid recovery ending the year with 81.1 points which was still below 100.0 points.

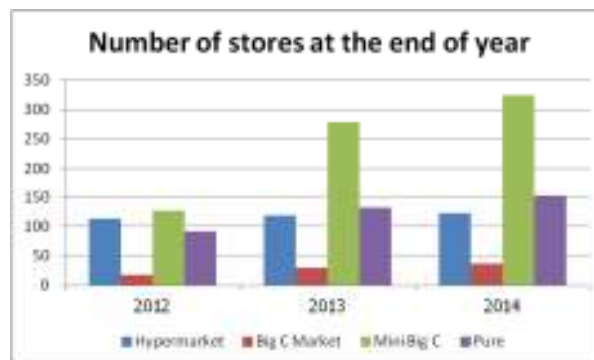
However we were well positioned to weather this slowdown with our price leader position in Thailand as we are known to offer our customers value for their money. Our various marketing campaigns successfully targeted customers during the year with main focus on activities and promotions that created value for customers. We also worked very hard throughout the year with various procurement and operational excellence initiatives, and supply chain development initiatives such as replacing old Mini Big C distribution center and Cross Dock distribution center by opening two new distribution centers. In the end thanks to all these efforts we are pleased to report satisfactory net income growth of 3.7% for the full year 2014.

Business of Big C

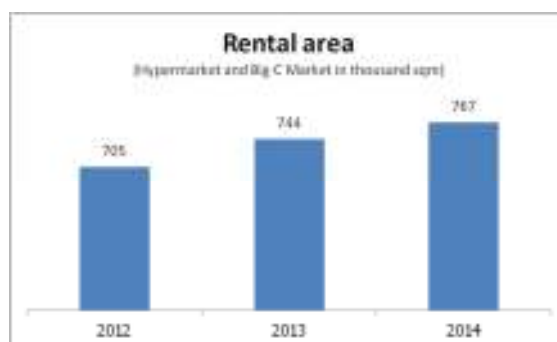
Over the years we have evolved from hypermarket operator into an omni-channel retailer with strong dual retail-property model. This allows us to serve our customers through our various and connected store formats - physical stores as well as online offerings – while our Towncenter tenants complement our store offerings and provide stability to our income. Our stores serve customers from all income groups from high to low. We are considered as price leader in Thailand and by controlling our costs and improving our operational efficiencies, we can deliver our price leadership while still sustaining our profitability. During 2014 we once

again exhibited our resilience and at the end of the year are satisfied with our operational and financial performance.

Retail: Even that hypermarket format continues to be our main source of retail sales, we operate in various connected store formats including Big C Supercenter and Big C Extra hypermarkets, Big C Jumbo hybrid store, Big C Market supermarkets, Mini Big C proximity stores, online offering, and various specialty store under development such as Pure drugstores. While we continued expansion in all our stores formats during the year, the expansion speed was slowed down from past few years rapid expansion speed to better match the political and economic situation in Thailand. During 2014 we opened 4 Big C Hypermaket at Kanchanaburi, Nakhon Phanom, Kallapapruek, and Srimahapot, 7 Big C Market at Kosum Phisai, Kuchi Narai, Ban Ta Khun, Prakhon Chai, Selaphum, Takaopa and Bangmunnak, 46 Mini Big C (29 in Bangchak service stations), and 20 Pure Drugstores. We also completed one additional Big C Jumbo hybrid store conversion in March at Big C Supercenter Ratburana to service wholesale and retail customers as well as big families. This compares to our past expansion of 6 hypermarkets in 2013 and 5 hypermarkets in 2012, 12 Big C Market in 2013 and 8 Big C Market in 2012, 153 Mini Big C in 2013 and 76 in 2012, and 41 Pure in 2013 and 2012. At the end of 2014 our store network consisted of 123 hypermarkets, 37 Big C Market, 324 Mini Big C, and 152 Pure drugstores, or a total of 636 stores.



Rental: Big C is operated under strong dual retail-rental model. Our tenants complement our store offering and as majority of our rents our tenants pay us are fixed, rental income offers us stability to our income. Rental areas at our Hypermarkets and Big C Market stores are our main sources of rental income with other formats such as Mini Big C having very limited rental income contribution. During the year all new hypermarket and Big C Market stores had rental areas and at the end of the year the total rental area reached c.767,000 sqm, up from c.744,000 sqm in 2013 and 705,000 sqm in 2012.



For more information about our financial performance please refer to following financial analysis section.

Outlook for 2015: After a challenging year 2014 we are cautiously optimistic about 2015. While we believe that we have passed the bottom, the economic recovery might not be as quick as some might expect as there are still challenges ahead for recovery such as high household debt levels, low agricultural prices, slow global economic recovery impacting Thai exports, etc. However as we earlier mentioned, Big C as a price leader is ideally positioned in this environment. Our focus will remain on customers and to provide them the best value for money we are going to do our best to control our costs whilst still maintaining our profitability. We can achieve this with relentless work in procurement and operational excellence front and various supply chain development initiatives. We are also going to work to further integrate our physical and online stores offering our customers unrivalled choice. Our store expansion will be cautiously speed up from last year in all of our core store formats allowing us to reach ever larger number of customers and to provide them with greater convenience. Our work to optimize our existing properties also continues through renovations, increasing store productivity and driving up our rental income.

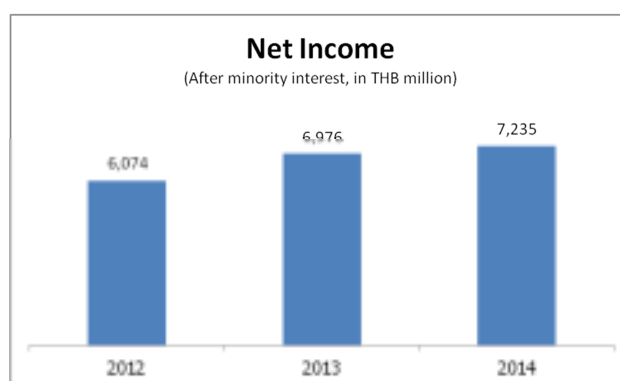
Financial Analysis

We are pleased to report the results of Big C and our subsidiaries (the “Company”) for the full year 2014 that have been examined by our auditors and have received unqualified opinion which means that in auditor’s opinion they present fairly the financial position of the Company. Also please note that our consolidated financial statements include the financial statements of Big C Supercenter Public Company Limited (“the Company”), and the various subsidiary companies¹. The Company did not adopt any new accounting policies during the year, but during Q4 2014 it changed useful life estimates of its furniture, fixture, and office equipment, and utility systems to better reflect their future economic benefits. Please refer to Note 4 in Notes to Financial Statements for more information regarding our significant accounting policies, and to Note 4.7. to find more information about useful lives.

¹ For complete list of subsidiaries included in consolidated financial statements please refer to Notes to Financial Statements note 2.2

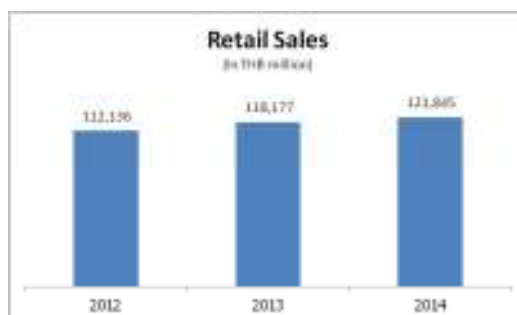
Income Statement

The operating results of the Company for the year ended 2014 reflected the operating profit of Baht 9,982 million, an increase of Baht 437 million or 4.6% over the same period in 2013. When compared to same period in 2012, this performance represents an increase of Baht 846 million or 9.3%. The Company's net profit for the year amounted to Baht 7,235 million, compared to a net profit of Baht 6,976 million over the same period in 2013, which represents an increase of Baht 259 million, or 3.7%. When compared to same period in 2012, this performance represents an increase of Baht 1,161 million or 19.1%. These solid results reflect the continued good performance of the Company and exhibit its resilience during a year of challenging economic and political conditions. This year's performance is based on the following items:



1. Net Sales

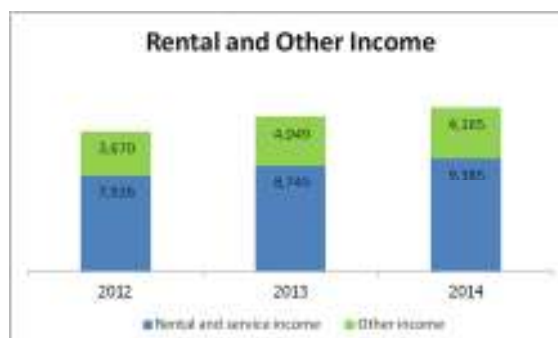
Net sales in 2014 amounted to Baht 121,845 million for the Company, which represented an increase of Baht 3,668 million, or 3.1% over the same period in 2013. When compared to 2012 the increase was Baht 9,708 million or 8.7%. Retail sales growth in 2014 was mainly driven by the continued expansion as the Company opened 4 hypermarket, 7 Big C Market, 46 Mini Big C, and 20 Pure drugstores as well as the full year impact of 2013 openings.



2. Rental and Service Income from tenants

Rental and Service Income from tenants amounted to Baht 9,385 million in 2014 which represented an increase of Baht 641 million or 7.3% over the same period in 2013. When compared to 2012 the increase is

Baht 1,459 million or 18.4%. This increase was mainly the result of successful management of lettable space, additional lettable space from 11 new shopping malls opened during 2014, full impact from 18 new shopping malls opened in 2013, and the maintained high occupancy rate.



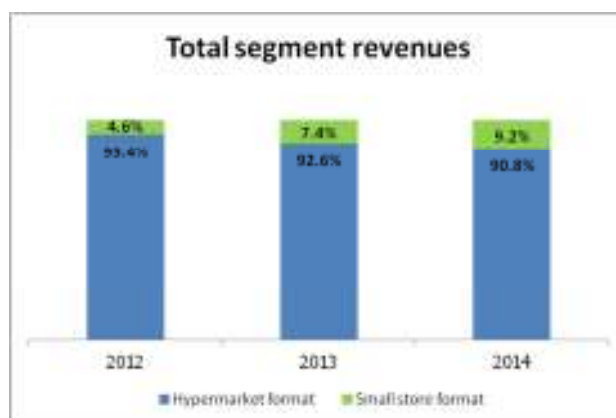
3. Other Income

Other Income, which includes various sources of income such as advertising income from suppliers for the advertisements placed in the Company's brochures, in store media concessions from allocating space in stores for third party to manage advertising, cash discounts received from suppliers, compensation income, after sale service income, and interest income, amounted to Baht 4,165 million in 2014. This represented an increase of Baht 116 million or 2.9% over the same period in 2013 arising largely from the increased brochure advertising and service income (including in store media concessions) during the year. When compared to 2012 the increase is Baht 494 million or 13.5%.

4. Segment performance

Starting from 2013 the Company has been reporting its segment performance. Operating segment information is reported in a manner consistent with our internal reports that are regularly reviewed by our Chief Executive Officer in order to make decisions about the allocation of resources to the segment and assess its performance. For management purposes, the Company are organized as business units based on their store formats and have two reportable segments: 1) Hypermarket segment which include Big C Supercenter, Big C Extra and Big C Jumbo stores, and 2) Small store segment including Big C Market, Mini Big C and Pure drugstores.

During 2014 large store segment contributed Baht 118,518 million or 90.8% of total segment revenues, down from 92.6% in 2013 and 95.4% in 2012. While small store segments contribution to total segment revenues grew to Baht 12,008 million or 9.2% in 2014 from 7.4% in 2013 and 4.6% in 2012. The growth in small store segment is due to a continued expansion particularly in Big C Market and Mini Big C formats with opening of 7 Big C Market and 46 Mini Big C in 2014 and 12 Big C Market and 153 Mini Big C in 2013.



E-commerce business: In early 2014 our Board of Directors meeting passed a resolution to approve investment into a pure e-commerce business, and so on the Company subsequently invested into an exciting Cdiscount partnership. The investments in associates are consolidated under equity method. For 2014 our Share of Loss from Investments in Associates totaled 110.6 million baht. It is normal for this type of business to have a loss during the early period as they have to invest into infrastructure and the promotions to drive traffic to the site. Please refer to Note 13 in Notes to Financial Statements for more information regarding investments in associates.

5. Gross Profit

Gross Profit in 2014 stood at Baht 18,225 million an increase of Baht 538 million or 3.0% over the same period in 2013. When compared to 2012 the increase is Baht 2,108 million or 13.1%. This reflects the Company's increased sales, continued supply chain developments, and successful cost optimization and productivity enhancement initiatives.

6. Selling and Administration Expenses

Selling and Administration Expenses amounted to Baht 21,793 million in 2014 which represented an increase of Baht 857 million or 4.1% over the same period in 2013. When compared to 2012 the increase was Baht 3,216 million or 17.3%. Increase is mainly due to increased expenses in personnel, utilities, properties, and depreciation and amortization arising from a continued expansion in all formats.

7. Finance cost

Finance cost for 2014 amounted to Baht 866 million which represented a decrease of Baht 187 million or 17.8% over the same period in 2013. When compared to 2012 the decrease was Baht 429 million or 33.1%. This decrease is due to gradually reduced debt level and low interest rate environment the Company enjoyed during 2014.

8. Corporate income tax

The Company's corporate income tax for 2014 amounted to Baht 1,756 million, an increase of Baht 254 million or 16.9% compared to last year. This is due to increased revenues and from slightly higher effective tax rate of 19.5% in 2014, while 2013 effective tax rate of 17.7% was due to a one-off effect from the liquidation process of one of the Company's subsidiaries during Q3 2013. When compared to 2012 the increase was Baht 7 million or 0.4%. The reason for such a small increase is lower statutory tax rate of 20% in 2014 and 2013, while in 2012 statutory tax rate was 23%.

Statement of Financial Position

Total Assets: As of December 31, 2014, the Company had total assets of Baht 102,778 million, an increase of Baht 5,614million or 5.8% when compared to the year 2013 and an increase of Baht 8,615 million or 9.1% when compared to year 2012.

Total Liabilities: As of December 31 2014, the Company had total liabilities of Baht 60,632 million, an increase of Baht 506 million when compared to the same period in 2013, and a decrease of Baht 1,644million when compared to 2012. The slight increase is mainly due to increased trade and other payables arising from increased sales volume. The decrease from 2012 is mainly due to a continued repayment of the long term loan that the Company entered into in 2012 when it refinanced short term loan it took to acquired Carrefour's Thailand operations in 2011. The total trade accounts and other payables increased slightly by Baht 1,866 million from the same period in 2013 and by Baht 1,919 million from the year 2012. Deferred tax liabilities increased slightly by Baht 77.8 million from 2013 and by Baht 59.8 million from 2012.

Cash Flow: The net cash flows from operating activities of the Company for year 2014 accounted for Baht 11,647 million or 9.6 percent of sales with an increase of Baht 1,575 million or 15.6 percent over 2013. When compared to 2012 the net cash flows from operating activities decreased slightly by Baht 31.7 million or 0.3%. At the end of 2014, cash and cash equivalents of the Company were Baht 11,414 million, an increase of Baht 4,239 million when compared to 2013. When compared to 2012 this represents an increase of Baht 2,633 million. This increase is largely due to slowed store expansion in 2014 when compared to the rapid expansion during 2013 when it used its internally generated cash to fund the expansion. During 2014 the net cash flow used in investment activities reached Baht 3,610 million in 2014, a decrease of Baht 3,546 million from 2013 and a decrease of Baht 1,609 million from 2012. The decrease is due to slowed down store expansion during 2014 from rapid expansion speed during 2013 and 2012.

Selected Financial Ratios

	2014	2013	2012
Average inventory days	37	34	34
Average account payable days	98	98	99
Average account receivable days	1	1	1
Current ratio	0.7	0.6	0.6
Debt to equity ratio	0.6	0.7	0.9
Operating cash flow ratio	0.29	0.27	0.23
Interest coverage	11.4	9.1	7.1
Total liabilities to shareholder equity	1.4	1.6	2.0
Gross profit margin	15.0%	15.0%	14.4%
Operation profit margin	8.2%	8.1%	8.1%
Net Profit Margin	5.9%	5.9%	5.4%
Return on equity	18.3%	20.2%	21.9%
Return on assets	7.2%	7.3%	6.6%
Total assets turnover	1.2	1.2	1.2
Earning per share (Baht)	8.77	8.46	7.44
Dividend per share (Baht)	2.62	2.55	2.21
Net book, value per share (Baht)	51.1	44.9	38.7

Average inventory, account payable, and account receivable days: The effective working capital management is important for the Company and in 2014 its average account payable days were 98 days, which compares to 98 days in 2013 and 99 days in 2012. The maintained ratio reflects continued good relations with the Company's partners over the years. Over the same time period the average inventory days have increased slightly to 37 days in 2014 from 34 days in 2013 and 2012. During 2014 Thai government declared special public holidays. These additional holidays were one reason for increased inventory levels and so on longer average inventory days, as our suppliers were closed. Traditionally the average account receivable days have been very short as the Company receives mostly cash payments from its customers, and in 2014 they were 1 day, stable from 2013 and 2012. This leaves the Company with negative cash conversion cycle of 60 days in 2014, slightly shorter from 63 days in 2013 and 64 days in 2012, due to longer inventory turnover during the year.

Current ratio, debt-to-equity ratio, operating cash flow ratio, and interest coverage: The Company has been gradually reducing its gearing over the years since the acquisition of the Carrefour's Thailand operations. In 2014 the Company's current ratio was 0.7 times as of 31 December 2014. This compares with 0.6 times in 2013 and in 2012. This slight increase in current ratio is due to a loan tranche moving into the current portion of long term loans at the end of 2014. However if we take a look at the Company's debt-to-equity ratio we can see that it has been continuously reducing, reaching 0.6 times in 2014, down from 0.7 times in 2013 and 0.9 times in 2012. The Company's operating cash flow ratio has also continued increasing over the same period reaching 0.29 times in 2014, up from 0.27 times in 2013 and 0.23 times in 2012 reflecting increasing net operating cash flow and continued debt repayment. The Company's interest coverage has increased to 11.4 times in 2014, up from 9.1 times in 2013 and 7.1 times in 2012. This is due to the continued gradual debt repayment over the years.

Total liabilities to shareholders equity: As of 31 December 2014, the capital structure of the Company was composed of total liabilities in the amount of Baht 60,632million and total shareholders' equity of Baht 42,147 million. The ratio of total liabilities to shareholders equity was 1.4 times, a decrease from 1.6 times in 2013 and 2.0 times in 2012. The decrease is largely due to a decrease in liabilities from the continued repayment of the loan used to acquire Carrefour Thailand operations in 2011.

Profitability ratios: For the internal benchmarking purposes the Company is particularly concentrated on its operating margin and for past three years it has used operating margin of 8.1% it achieved in 2011 as a benchmark. This has been not an easy comparison as the Company has experienced major cost pressures in 2012 and 2013, and challenging economic situation in 2014. In the light of these pressures, the Company's ability to maintain its profitability ratios at similar level to 2013 and 2012 numbers is due to its successful cost controls and efficiency improvements. Gross profit margin stayed in-line with previous year reaching 15.0% for full year 2014 from 15.0% in 2013 and up from 14.4% in 2012. Operating profit margin increased to 8.2% in 2014 from 8.1% achieved in 2013 and in 2012. The Company's net profit margin stayed stable at 5.9% in 2014, from 5.9% in 2013 and increased from 5.4% in 2012 due to lower finance cost arising from lower debt levels and from corporate tax cut of 3% in 2013 from 23% to 20%.

Return on equity, return on assets, and total asset turnover. As the Company's assets have been growing while it has been gradually reducing its gearing, the shareholder equity has grown. This has led to a slightly reducing trend of return of equity as we recorded 18.3% in 2014, down from 20.2% in 2013 and 21.9% in 2012. However if we look return on assets we can see relatively stable or slightly increasing trend as we recorded 7.2% in 2014, slightly down from 7.3% in 2013, but increase from 6.6% achieved in 2012. The Company's total asset turnover remained at 1.2 times in 2014, this is same level as achieved in 2013 and 2012.

Earnings dividend and book value per share: The growing sales and maintained or slightly increased margins over the past years, despite challenging environment, has resulted resilient earnings growth as the Company's earnings per share reached Baht 8.77 in 2014, up from Baht 8.46 in 2013 and Baht 7.44 in 2012. The Company's board of directors proposed a dividend of 2.62 baht per share for 2014, up from 2.55 in 2013 and 2.21 in 2012, representing a maintained dividend payout ratio of 30%. The Company's net book value per share has also been increasing over the same period reaching Baht 51.1 per share in 2014, up from Baht 44.9 per share in 2013 and baht 38.7 per share in 2012.

Management of the Company's assets

Receivables: The Company values its receivables at the net realisable value and the allowance for doubtful accounts is provided for the estimated losses that may be incurred in the collection of receivables. This allowance is generally based on collection experiences and debt aging analysis. As a normal course of business the Company may also time-to-time sell its accounts receivables at a discount to a financial institution without recourse. The Company derecognised such accounts receivables from the financial statements. Please refer to Note 7 and 8 in Notes to Financial Statements for more information regarding our receivables.

At the end of December 2014 the Company's trade and other receivables were Baht 228 million, a decrease of Baht 95 million or 29.4% over the same period in 2013 and a decrease of Baht 87 million or 27.6% over the same period in 2012. While the Company's supplier and tenant receivables were Baht 3,206 million, a slight decrease of Baht 52 million or 1.6% over the same period in 2013. When compared to 2012 supplier and tenant receivables have increased by Baht 1,529 million or 91.1%. These movements are due to successful receivable collection, rapid store expansion especially during 2013, increased sales and successful negotiations with our suppliers.

Inventory management: The Company values its inventories at the lower of cost on an average and net realizable value. Costs of inventories are presented net of cash receipts from suppliers which are related to the purchase of inventories. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business; and provision for obsolete, slow-moving and deteriorated inventories, is estimated based on the approximate useful life of each type of inventory.

At the end of December 2014 the Company's inventories were Baht 11,552 million, an increase of Baht 2,017 million or 21.2% over the same period in 2013 and an increase of Baht 2,357 million or 25.6% over the same period in 2012. During 2014 Thai government declared 5 special public holidays. These additional holidays increased our inventory levels as our suppliers were closed.

Investment properties: As the Company is operated under dual retail-property model its larger stores are divided into retail sales area and rental area which it rents out to its tenants. Investment properties include rental areas in these stores. They are measured initially at cost, including transaction costs, and in following years at cost less accumulated depreciation and allowance for loss on impairment if there is any. The depreciation of investment properties is on straight-line basis over their estimated useful lives.

At the end of December 2014 the Company's investment properties were Baht 16,188 million, a slight decrease of Baht 97 million or 0.6% over the same period in 2013 due to slower expansion speed and depreciation. When compared to 2012 the increase was Baht 410 million or 2.6% due to rapid expansion during 2013.

As the book value of our investment properties can differ from their fair value, the Company discloses once a year their estimated fair value. The estimated fair value of investment properties as 31 December 2014 was Baht 53,805 million. Please refer to Note 14 in Notes to Financial Statements for more information regarding investment properties and fair value estimate.

Property, plant and equipment: In property, plant and equipment the Company states land at cost, while building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets. Depreciation of plant and equipment is done in straight-line basis over their estimated useful lives. For land and construction in progress and project under development there is no depreciation. To determine the depreciation of plant and equipment, the Company has to make estimates of the useful lives and residual values of the plant and equipment and to review estimated useful lives and residual values when there are any changes. On a periodical basis the Company review property, plant and equipment for impairment and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgment regarding forecast of future revenues and expenses. Any gain or loss arising on disposal of an asset is included in the profit or loss when the asset is derecognised. Please refer to Note 15 in Notes to Financial Statements for more information regarding property, plant and equipment.

At the end of December 2014 the Company's property, plant and equipment were Baht 26,043 million, a slight decrease of Baht 152 million or 0.6% over the same period in 2013 due to slower expansion and depreciation. When comparing to 2012 the increase was Baht 3,166 million or 13.8% reflecting rapid store expansion during 2013.

Capital expenditure: During 2014 the Company's net cash flow used in investing activities was Baht 3,610 million which was financed through the Company's internal cash flow as the Company's net cash flows from operating activities were Baht 11,647 million for the same period. This capital expenditure represents a decrease of Baht 3,546 million or 49.5% over the same period in 2013 and a decrease of Baht 1,609 million or

30.8% over 2012. This decrease arises from slowed store expansion speed in 2014 due to challenging political and economic environment.

Capital Adequacy

Capital structure: At the end of 2014 the Company's net debt amounted to Baht 13,236 million which represents a decrease of Baht 5,914 million or 30.9% from 2013 and Baht 6,983 million or 34.5% from 2012. This is due to a continued debt repayments. The gearing ratio the Company is following internally is net debt to recurring EBITDA. At the end of December 2014 this ratio was 1.0 times down from 1.4 times at the end of 2013 and 1.6 times at the end of 2012.

Short-term loans from financial institutions: As at 31 December 2014, the short-term promissory notes issued with three local financial institutions amounted to Baht 6,000 million stable from 2013 and 2012. These loans carry interest at market rates with a maturity on 5 January 2015. (Subsequently at the maturity date, the Company issued the short-term promissory notes with three local financial institutions amounted to Baht 6,000 million with a maturity on 7 April 2015.)

Long-term loans from financial institutions: In 2011 the Company entered into a short-term loan agreement to acquire the Carrefour Thailand operations. This short-term loan was subsequently refinanced on June 28th 2012 into to a various long-term loan tranches with three local financial institutions. All loans are denominated in Thai Baht, with floating interest rates tied to THBFIX 3 months, THBFIX 6 months, or BIBOR 3 months plus margin per annum. Repayments are to be made by a mixture of amortization of annual installment, revolving promissory notes and full repayment at maturity. All long-term loan agreements are unsecured, and under the terms of the agreements, the Company must comply with certain conditions and restrictions stipulated in the agreements i.e. to maintain net debt to EBITDA ratio and to maintain net debt to equity ratio. Please refer to Note 21 in Notes to Financial Statements for more information regarding long-term loans.

As 31 December 2014, the long-term loans from financial institutions amounted to Baht 18,650 million (including a Current portion of Baht 4,675 million), down from Baht 20,325 million (including current portion of 1,675 million) at 31 December 2013, and Baht 23,000 million (including current portion of 1,675 million) at 31 December 2012. The decrease is due to continued gradual debt repayments the Company has been making over the years.