RITCHIE BROS AUCTIONEERS INC
Form 6-K
May 03, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2012

Commission File Number: 001-13425

Ritchie Bros. Auctioneers Incorporated

9500 Glenlyon Parkway

Burnaby, BC, Canada

V5J 0C6

(778) 331 5500

(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F ¨ Form 40-F x

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

indicate by check mark whether by furnishing information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements do not include all information and footnotes required by International Financial Reporting Standards as issued by the IASB (IFRS), for a complete set of annual financial statements. However, in the opinion of management, all adjustments (which consist only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the relevant periods have been made. Results for the interim periods are not necessarily indicative of the results to be expected for the year or any other period. These financial statements should be read in conjunction with the summary of accounting policies and the notes to the consolidated financial statements included in the Company s Annual Report on Form 40-F for the fiscal year ended December 31, 2011, a copy of which has been filed with the U.S. Securities and Exchange Commission. These policies have been applied on a consistent basis.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Condensed Consolidated Income Statements

(Expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31,	2012	2011
Auction revenues (note 4)	$ 101,276	$ 88,463
Direct expenses (note 5)	10,134	8,933
	91,142	79,530
Selling, general and administrative expenses (note 5)	63,269	60,185
Earnings from operations	27,873	19,345
Other income (expense):		
Foreign exchange loss	(2)	(487)
Gain on disposition of property, plant and equipment	50	3,639
Other	718	684
	766	3,836
Finance income (costs):		
Finance income	559	680
Finance costs	(1,376)	(1,457)
	(817)	(777)
Earnings before income taxes	27,822	22,404
Income tax expense (note 6):		
Current	8,818	3,960
Deferred	1,035	1,874
	9,853	5,834
Net earnings	$ 17,969	$ 16,570
Net earnings per share (note 7):		
Basic	$ 0.17	$ 0.16
Diluted	$ 0.17	$ 0.16
Weighted average number of shares outstanding:		
Basic	106,399,495	105,809,701
Diluted	107,027,472	106,611,182

See accompanying notes to condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 1, 2012.

/s/ Beverley A Briscoe
Beverley A Briscoe
Director

/s/ Peter J Blake
Peter J Blake
Chief Executive Officer

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RITCHIE BROS. AUCTIONEERS INCORPORATED

Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

(Unaudited)

Three months ended March 31,	2012	2011
Net earnings	$ 17,969	$ 16,570
Other comprehensive income:		
Foreign currency translation adjustment, net of tax	4,762	10,638
Total comprehensive income	$ 22,731	$ 27,208

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Condensed Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 179,528	$ 109,323
Trade and other receivables	152,611	60,980
Inventory (note 8)	82,212	49,212
Advances against auction contracts	7,743	11,784
Prepaid expenses and deposits	10,286	9,923
Assets held for sale (note 9)	4,474	
Current portion of loan receivable	113	111
Current other assets	92	81
Income taxes receivable	6,176	12,426
	443,235	253,840
Property, plant and equipment (note 10)	658,360	644,333
Investment property	8,179	7,890
Loan receivable	4,886	4,915
Other non-current assets	8,837	8,857
Goodwill	46,252	45,957
Deferred tax assets	1,480	1,449
	$ 1,171,229	$ 967,241
Liabilities and Shareholders Equity		
Current liabilities:		
Auction proceeds payable	$ 231,475	$ 69,004
Trade and other payables	89,598	100,868
Income taxes payable	5,622	8,077
Current borrowings (note 11)	51,866	12,595
	378,561	190,544
Non-current borrowings (note 11)	135,980	133,881
Other non-current liabilities	4,618	4,309
Deferred tax liabilities	21,865	20,601
	541,024	349,335
Shareholders equity:		
Share capital (note 12)	116,580	115,961
Additional paid-in capital	23,695	22,777
Retained earnings	486,718	480,718
Foreign currency translation reserve	3,212	(1,550)
	630,205	617,906
	$ 1,171,229	$ 967,241

Contingencies (note 14)

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of United States dollars, except share amounts)

(Unaudited)

	Share Capital					
	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Shareholders Equity
Balance, December 31, 2010	105,648,035	$ 103,978	$ 21,101	$ 450,268	$ 4,520	$ 579,867
Total comprehensive income						
Net earnings				16,570		16,570
Foreign currency translation adjustment, net of tax					10,638	10,638
				16,570	10,638	27,208
Exercise of stock options	395,452	6,511	(1,232)			5,279
Share-based compensation tax adjustment			1,833			1,833
Share-based compensation expense (note 13(b))			1,001			1,001
Cash dividends paid				(11,109)		(11,109)
Balance, March 31, 2011	106,043,487	$ 110,489	$ 22,703	$ 455,729	$ 15,158	$ 604,079
Total comprehensive income (loss)						
Net earnings				60,063		60,063
Foreign currency translation adjustment, net of tax					(16,708)	(16,708)
				60,063	(16,708)	43,355
Exercise of stock options	342,852	5,472	(1,028)			4,444
Share-based compensation tax adjustment			(1,772)			(1,772)
Share-based compensation expense			2,874			2,874
Cash dividends paid				(35,074)		(35,074)
Balance, December 31, 2011	106,386,339	$ 115,961	$ 22,777	$ 480,718	$ (1,550)	$ 617,906
Total comprehensive income						
Net earnings				17,969		17,969
Foreign currency translation adjustment, net of tax					4,762	4,762
				17,969	4,762	22,731
Exercise of stock options	35,781	619	(117)			502
Share-based compensation tax adjustment			78			78
Share-based compensation expense (note 13(b))			957			957
Cash dividends paid				(11,969)		(11,969)
Balance, March 31, 2012	106,422,120	$ 116,580	$ 23,695	$ 486,718	$ 3,212	$ 630,205

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

Three months ended March 31,	2012	2011
Cash generated by (used in):		
Operating activities:		
Net earnings	$ 17,969	$ 16,570
Items not involving cash:		
Depreciation	9,665	10,312
Share-based compensation expense	957	1,001
Deferred income tax expense	1,035	1,874
Foreign exchange loss	2	487
Gain on disposition of property, plant and equipment	(50)	(3,639)
	11,609	10,035
Changes in non-cash working capital:		
Trade and other receivables	(90,789)	(99,453)
Inventory	(32,381)	(35,943)
Advances against auction contracts	4,175	(10,363)
Prepaid expenses and deposits	(125)	691
Income taxes receivable	6,250	3,051
Income taxes payable	2,424	110
Auction proceeds payable	162,908	157,434
Trade and other payables	(10,228)	16,406
Other	(338)	(2,081)
	41,896	29,852
Interest paid	(1,980)	(1,614)
Income taxes paid	(5,007)	(733)
Net cash generated by operating activities	64,487	54,110
Investing activities:		
Property, plant and equipment additions	(24,136)	(14,791)
Proceeds on disposition of property, plant and equipment	412	4,669
Decrease (increase) in other assets	85	(1,966)
Net cash used in investing activities	(23,639)	(12,088)
Financing activities:		
Issuance of share capital	502	5,279
Dividends on common shares	(11,969)	(11,109)
Issuance of short-term borrowings	40,028	48,947
Repayment of short-term borrowings	(338)	
Other	(14)	1,836
Net cash generated by financing activities	28,209	44,953
Effect of changes in foreign currency rates on cash and cash equivalents	1,148	2,429

Increase in cash and cash equivalents	70,205	89,404
Cash and cash equivalents, beginning of period	109,323	68,185
Cash and cash equivalents, end of period	$ 179,528	$ 157,589

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

1. Significant accounting policies:

(a) Basis of preparation:

These condensed consolidated interim financial statements including comparatives present the condensed consolidated income statements, statements of comprehensive income, balance sheets, statements of changes in equity and statements of cash flows of the Company. The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for cash flows.

The preparation of these condensed consolidated interim financial statements is based on accounting policies consistent with those used in the preparation of the Company s audited annual consolidated financial statements for the year ended December 31, 2011. A selection of the accounting policies that are specifically important for interim financial reporting, or for which there has been a change since the annual consolidated financial statements, is set out below. These condensed consolidated interim financial statements should be read in conjunction with the Company s audited annual financial statements for the year ended December 31, 2011; a full list of the Company s significant accounting policies is included in those financial statements.

(b) Statement of compliance:

The condensed consolidated interim financial statements of the Company have been prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) incorporating Interpretations issued by the IFRS Interpretations Committee (IFRICs), and complying with the Canada Business Corporations Act 1997.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

(c) Basis of consolidation:

(i) Subsidiaries:

The condensed consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of Ritchie Bros. Auctioneers Incorporated for all periods presented and the results of all subsidiaries for the periods then ended.

Subsidiaries are all those entities that the Company controls, defined as having the power to govern the financial and operating policies, generally accompanying an equity holding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Inter-entity transactions, balances and unrealized gains on transactions between entities within the consolidated company are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The Company s accounting policies are applied consistently throughout the organization.

(ii) Ultimate parent entity:

Ritchie Bros. Auctioneers Incorporated is the ultimate parent entity of the consolidated company.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(d) Revenue recognition:

Auction revenues are comprised mostly of auction commissions, which are earned by the Company acting as an agent for consignors of equipment and other assets, but also include net profits on the sale of inventory, as well as auction fees. Auction fees are made up of internet purchase fees (incurred until June 2011), administrative and documentation fees on the sale of certain lots and auction advertising fees.

Auction commissions represent the percentage earned by the Company on the gross proceeds from equipment and other assets sold at auction. The majority of auction commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned from at risk contracts, when the Company guarantees a certain level of proceeds to a consignor or purchases inventory from customers for sale at auction.

Guarantee contracts typically include a pre-negotiated percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed. If a loss relating to a guarantee contract held at the period end to be sold after the period end is known at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company s exposure from these guarantee contracts fluctuates over time (note 14(b)).

For inventory contracts, the Company acquires title to items for a short time prior to a particular auction sale. Revenue from inventory sales is presented net within auction revenues on the income statement, as the Company takes title only for a short period of time and the risks and rewards of ownership are not substantially different than the Company s other revenue contracts.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax and duties.

The Company recognizes revenue when the auction sale is complete and the Company has determined that the auction proceeds are collectible.

(e) Financial instruments:

(i) Recognition of financial instruments:

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset, and substantially all the risks and rewards of ownership of the asset, to another entity.

Financial liabilities are derecognized when the Company s obligations are discharged, cancelled or they expire.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

(ii) Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets held for trading. In previous periods, the Company classified cash and cash equivalents in this category; these were reclassified at their fair value to loans and receivables as at January 1, 2012. The Company has no other assets classified as fair value through profit or loss.

(iii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides services with no intention of selling the receivable. They are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Assets in this category are classified as current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are comprised of cash and cash equivalents, trade and other receivables, advances against auction contracts, other current assets and loan receivable on the balance sheet.

(iv) Effective interest method:

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as fair value through profit or loss.

(v) Impairment of financial assets:

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

a. Significant financial difficulty of the issuer or counterparty;

b. Default or delinquency in interest or principal payments; or

c. It becomes probable that the borrower will enter bankruptcy or financial re-organization.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

(v) Impairment of financial assets (continued):

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset s carrying amount and the present value of estimated future cash flows, discounted at the financial asset s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the earnings to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(vi) Financial liabilities:

Auction proceeds payable, trade and other payables and borrowings are measured at amortized cost using the effective interest method. Transaction costs are offset against the outstanding principal of the related borrowings and are amortized using the effective interest rate method.

(f) Taxes:

Income tax expense represents the sum of current tax expense and deferred tax expense.

(i) Current tax:

The current tax expense is based on taxable profit for the period and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from earnings before income taxes as reported in the condensed consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor earnings before income taxes.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(f) Taxes (continued):

(ii) Deferred tax (continued):

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period:

Current and deferred tax are recognized as an expense or income in earnings, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination.

(g) New and amended accounting standards:

At the date of authorization of these financial statements, the following applicable standards and interpretations were issued but not yet effective:

In 2009, the IASB issued the first part of IFRS 9 *Financial Instruments*. This standard is anticipated to be effective for periods starting on or after January 1, 2015. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In May 2011, the IASB issued new standards addressing scope of reporting entity. IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*. These new standards are effective for years beginning on or after January 1, 2013 with early adoption permitted under certain circumstances. The IASB also renamed IAS 27 as *Separate Financial Statements*, to reflect that the content now only deals with such, and revised and reissued IAS 28 *Investments in Associates and Joint Ventures* to align with the new consolidation guidance. The Company is currently evaluating the impact of these new standards on its consolidated financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(g) New and amended accounting standards (continued):

In May 2011, the IASB also issued IFRS 13 *Fair Value Measurement* intended to provide a single source of guidance on how to measure fair value where it is already required or permitted by another IFRS, enhancing disclosure requirements for information about fair value measurements. This new standard is effective for years beginning on or after January 1, 2013. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

The IASB has a number of other projects outstanding that will result in exposure drafts and eventually new standards issued. However, the timing and outcome of these projects are too uncertain to list here.

2. Critical accounting estimates and judgments:

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company s accounting policies and assumptions. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty are the areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are depreciation methods; valuation of at risk business contracts including inventory held at the period end and commitments under guarantee; valuation and recognition of income taxes; and the calculation of share-based payments. The methods of calculating these estimates are discussed elsewhere in these condensed consolidated interim financial statements and in the Company s audited annual consolidated financial statements for the year ended December 31, 2011. Actual results may differ from these estimates.

Critical judgments that have a higher degree of judgment and the most significant effect on the Company s financial reporting, apart from those involving estimates (discussed above), include: determination of operating segments and identification of cash-generating units.

3. Seasonality of operations:

The Company s operations are both seasonal and event driven. Auction revenues tend to be highest during the second and fourth calendar quarters. The Company generally conducts more auctions during these quarters than during the first and third calendar quarters. Late December through mid-February and July through August are traditionally less active periods.

In addition, the Company s revenue is dependent upon the timing of such events as fleet upgrades and realignments, contractor retirements and the completion of major projects, among other things. These events are not predictable and are usually unrelated to fiscal quarters, making quarter-to-quarter comparability difficult.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

4. Auction revenues:

Three months ended March 31,	2012	2011
Auction commissions	$ 83,243	$ 82,055
Auction fees	18,033	6,408
	$ 101,276	$ 88,463

5. Expenses by nature:

The Company classifies expenses according to function in the condensed consolidated interim income statements. The following items are listed by function into additional components by nature:

Direct expenses:

Three months ended March 31,	2012	2011
Employee compensation expense	$ 3,904	$ 3,339
Travel, advertising and promotion	3,436	2,992
Other direct expenses	2,794	2,602
	$ 10,134	$ 8,933

Selling, general and administrative expenses:

Three months ended March 31,	2012	2011
Employee compensation expense	$ 34,838	$ 31,801
Buildings and facilities	9,568	9,595
Travel, advertising and promotion	4,486	4,187
Other general and administrative expenses	4,712	4,290
	$ 53,604	$ 49,873
Depreciation	9,665	10,312
	$ 63,269	$ 60,185

6. Income taxes:

Income tax expense is recognized based on management s best estimate of the annual income tax rate expected by jurisdiction for the full financial year applied to the pre-tax income of the interim period. The Company s consolidated effective tax rate in respect of operations for the three months ended March 31, 2012 was 35.4% (2011: 26.0%). The effective tax rate increased relative to the comparative period due to the following factors:

A greater proportion of earnings in the three months ended March 31, 2012 were subject to tax in jurisdictions with higher tax rates; and

A gain on disposition of property, plant and equipment was recorded in the comparative period which is subject to a low rate of tax.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

7. Net earnings per share:

Three months ended March 31, 2012	Net earnings	Shares	Per share amount
Basic net earnings per share	$ 17,969	106,399,495	$ 0.17
Effect of dilutive securities:			
Stock options		627,977	
Diluted net earnings per share	$ 17,969	107,027,472	$ 0.17

Three months ended March 31, 2011	Net earnings	Shares	Per share amount
Basic net earnings per share	$ 16,570	105,809,701	$ 0.16
Effect of dilutive securities:			
Stock options		801,481	
Diluted net earnings per share	$ 16,570	106,611,182	$ 0.16

For the three months ended March 31, 2012, stock options to purchase 1,531,111 common shares were outstanding but were excluded from the calculation of diluted earnings per share as they were anti-dilutive (2011: 494,160).

8. Inventory:

Every period end inventory is reviewed to ensure that it is recorded at the lower of cost and net realizable value. At March 31, 2012, a write-down of $868,000 (December 31, 2011: $469,000) was recorded. The cost of inventory purchases made during the three months ended March 31, 2012 relating to inventory that was sold was $172,719,000 (2011: $178,200,000). The cost of inventory purchases is netted against proceeds from inventory sales and included in auction revenues.

Of inventory held at March 31, 2012, 100% is expected to be sold prior to the end of June 2012 (December 31, 2011: 99% sold prior to the end of March 2012, with the remainder sold in April 2012).

9. Assets held for sale:

	March 31, 2012	December 31, 2011
Assets held for sale	$ 4,474	$

As at March 31, 2012, the Company held land and buildings for sale. These relate to a former permanent auction site in Washington, USA.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

10. Property, plant and equipment:

	Land and improvements	Buildings	Land, buildings and leasehold improvements under development	Yard and automotive equipment	Computer software and equipment	Computer software and equipment under development	Office equipment	Leasehold improvements	Total
Cost:									
Balance, December 31, 2010	$ 338,270	$ 258,091	$ 15,303	$ 54,530	$ 67,508	$ 1,788	$ 20,308	$ 12,934	$ 768,732
Additions	2,007	277	55,953	8,971	894	9,918	460	97	78,577
Disposals	(2,857)	(155)		(7,395)	(154)	(224)	(315)	(204)	(11,304)
Transfers from property under development to completed assets	5,169	700	(9,367)	719	8,042	(8,042)	206	2,573	
Foreign exchange movement	(2,652)	(2,604)	(11)	(822)	(1,715)	(56)	(359)	(221)	(8,440)
Balance, December 31, 2011	$ 339,937	$ 256,309	$ 61,878	$ 56,003	$ 74,575	$ 3,384	$ 20,300	$ 15,179	$ 827,565
Additions	11	20	18,993	2,476	151	2,343	72	70	24,136
Disposals		(28)		(1,002)	(343)		(116)		(1,489)
Transfers from property under development to completed assets	15,775	16,266	(33,951)	908	1,697	(1,697)	936	66	
Reclassified as held for sale	(3,208)	(3,304)		(31)			(39)		(6,582)
Foreign exchange movement	1,754	2,203	(63)	683	1,631	81	307	207	6,803
Balance, March 31, 2012	$ 354,269	$ 271,466	$ 46,857	$ 59,037	$ 77,711	$ 4,111	$ 21,460	$ 15,522	$ 850,433

The carrying value of intangible website assets included within computer software and equipment as at March 31, 2012 is $8,516,000 (December 31, 2011: $8,909,000).

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Unaudited)

Three months ended March 31, 2012 and 2011

10. Property, plant and equipment (continued):

	Land and improvements	Buildings	Land, buildings and leasehold improvements under development	Yard and automotive equipment	Computer software and equipment	Computer software and equipment under development	Office equipment	Leasehold improvements	Total
Accumulated depreciation:									
Balance, December 31, 2010	$ (24,592)	$ (48,797)	$	$ (26,648)	$ (37,321)	$	$ (9,001)	$ (3,389)	$ (149,748)
Depreciation for the year	(7,341)	(9,256)		(7,876)	(14,090)		(2,383)	(1,462)	(42,408)
Disposals	72	72		4,782	706		228	201	6,061
Foreign exchange movement	331	618		411	1,228		197	78	2,863
Balance, December 31, 2011	$ (31,530)	$ (57,363)	$	$ (29,331)	$ (49,477)	$	$ (10,959)	$ (4,572)	$ (183,232)
Depreciation for the period	(1,673)	(2,401)		(1,861)	(2,900)		(426)	(404)	(9,665)
Disposals		7		670	343		106		1,126
Reclassified as held for sale	365	1,678		30			35		2,108
Foreign exchange movement	(214)	(534)		(367)	(1,103)		(148)	(44)	(2,410)
Balance, March 31, 2012	$ (33,052)	$ (58,613)	$	$ (30,859)	$ (53,137)	$	$ (11,392)	$ (5,020)	$ (192,073)
Net carrying amount:									
As at December 31, 2011	$ 308,407	$ 198,946	$ 61,878	$ 26,672	$ 25,098	$ 3,384	$ 9,341	$ 10,607	$ 644,333
As at March 31, 2012	$ 321,217	$ 212,853	$ 46,857	$ 28,178	$ 24,574	$ 4,111	$ 10,068	$ 10,502	$ 658,360

During the three months ended March 31, 2012, interest of $441,000 (2011: $176,000) was capitalized to the cost of assets under development. These interest costs relating to qualifying assets are capitalized at a weighted average rate of 3.68% (2011: 4.34%).