

RITCHIE BROS AUCTIONEERS INC

Form 6-K

August 01, 2006

**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 June 30, 2006**

**Commission File Number: 001-13425  
Ritchie Bros. Auctioneers Incorporated**

6500 River Road  
Richmond, BC, Canada  
V6X 4G5  
(604) 273 7564

*(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

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

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

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**PART 1. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The accompanying unaudited consolidated financial statements do not include all information and footnotes required by Canadian or United States generally accepted accounting principles 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, 2005, a copy of which has been filed with the U.S. Securities and Exchange Commission. These policies have been applied on a consistent basis.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Ritchie Bros. Auctioneers Incorporated**  
(Registrant)

Date: July 31, 2006

By: */s/ Robert S. Armstrong*

Robert S. Armstrong,  
Corporate Secretary

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Operations and Retained Earnings

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

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Auction revenues	\$ 78,680	\$ 65,692	\$ 134,653	\$ 114,270
Direct expenses	11,365	8,592	17,791	14,076
	67,315	57,100	116,862	100,194
Expenses:				
Depreciation and amortization	3,060	3,464	6,314	6,863
General and administrative	26,551	21,901	52,704	44,457
	29,611	25,365	59,018	51,320
Earnings from operations	37,704	31,735	57,844	48,874
Other income (expense):				
Interest expense	(435)	(662)	(720)	(1,341)
Gain on disposition of capital assets	1,821	1,054	1,917	6,502
Other	182	39	471	237
	1,568	431	1,668	5,398
Earnings before income taxes	39,272	32,166	59,512	54,272
Income tax expense (recovery):				
Current	14,738	11,571	21,350	19,916
Future	8	(539)	438	(453)
	14,746	11,032	21,788	19,463
Net earnings	\$ 24,526	\$ 21,134	\$ 37,724	\$ 34,809
Net earnings per share (in accordance with Canadian and United States GAAP) (note 5):				
Basic	\$ 0.71	\$ 0.62	\$ 1.09	\$ 1.01
Diluted	\$ 0.70	\$ 0.61	\$ 1.08	\$ 1.00
Retained earnings, beginning of period	\$ 224,079	\$ 193,342	\$ 217,080	\$ 183,438
Net earnings	24,526	21,134	37,724	34,809
Cash dividends paid	(6,219)	(3,781)	(12,418)	(7,552)

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Retained earnings, end of period	\$ 242,386	\$ 210,695	\$ 242,386	\$ 210,695
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See accompanying notes to consolidated financial statements.

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	June 30, 2006 (unaudited)	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 242,364	\$ 169,249
Accounts receivable	76,747	25,447
Inventory	2,779	9,991
Advances against auction contracts	2,908	255
Prepaid expenses and deposits	6,297	2,726
Other assets	695	1,188
Future income tax asset	184	601
	331,974	209,457
Capital assets (note 3)	271,146	250,645
Other assets	633	1,537
Goodwill	39,979	38,397
Future income tax asset	934	860
	\$ 644,666	\$ 500,896
<b>Liabilities and Shareholders Equity</b>		
Current liabilities:		
Auction proceeds payable	\$ 168,791	\$ 62,392
Accounts payable and accrued liabilities	62,765	50,969
Income taxes payable	733	11,308
Current portion of long-term debt (note 4)	223	220
Future income tax liability	834	460
	233,346	125,349
Long-term debt (note 4)	43,754	43,322
Other liabilities		516
Future income tax liability	7,480	6,526
	284,580	175,713
Shareholders equity:		
Share capital (note 5)	83,153	79,844
Additional paid-in capital	9,731	8,929
Retained earnings	242,386	217,080

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Foreign currency translation adjustment	24,816	19,330
	360,086	325,183
	\$ 644,666	\$ 500,896

Commitments and contingencies (note 6)

See accompanying notes to consolidated financial statements.

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Shareholders' Equity

(Expressed in thousands of United States dollars)

(Unaudited)

	Share Capital	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Total Shareholders Equity
Balance, December 31, 2005	\$ 79,844	\$ 8,929	\$ 217,080	\$ 19,330	\$ 325,183
Exercise of stock options	2,369	(340)			2,029
Stock compensation tax adjustment		99			99
Stock compensation expense		469			469
Net earnings			13,198		13,198
Cash dividends paid			(6,199)		(6,199)
Foreign currency translation adjustment				523	523
Balance, March 31, 2006	82,213	9,157	224,079	19,853	335,302
Exercise of stock options	940	(131)			809
Stock compensation tax adjustment		192			192
Stock compensation expense		513			513
Net earnings			24,526		24,526
Cash dividends paid			(6,219)		(6,219)
Foreign currency translation adjustment				4,963	4,963
Balance, June 30, 2006	\$ 83,153	\$ 9,731	\$ 242,386	\$ 24,816	\$ 360,086

See accompanying notes to consolidated financial statements.

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended June		Six months ended June	
	30,		30,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 24,526	\$ 21,134	\$ 37,724	\$ 34,809
Items not involving cash:				
Depreciation and amortization	3,060	3,464	6,314	6,863
Stock compensation expense	513	346	982	764
Future income taxes	8	(539)	438	(453)
Net gain on disposition of capital assets	(1,821)	(1,054)	(1,917)	(6,502)
Changes in non-cash working capital:				
Accounts receivable	26,434	27,703	(51,300)	(61,348)
Inventory	17,733	5,612	7,212	10,163
Advances against auction contracts	632	470	(2,653)	(2,034)
Prepaid expenses and deposits	(2,568)	(861)	(3,551)	(1,868)
Income taxes payable	(5,487)	4,569	(10,027)	9,908
Auction proceeds payable	(26,021)	1,355	106,399	130,309
Accounts payable and accrued liabilities	16,317	3,972	11,280	(4,684)
Other	(4,173)	1,154	(4,072)	2,450
	49,153	67,325	96,829	118,377
Investing activities:				
Acquisition of business	(200)		(2,300)	
Capital asset additions	(11,791)	(14,839)	(22,640)	(19,150)
Proceeds on disposition of capital assets	3,505	2,221	4,126	8,758
Decrease in other assets	1,271	516	1,433	324
	(7,215)	(12,102)	(19,381)	(10,068)
Financing activities:				
Issuance of share capital	809	1,072	2,838	2,352
Dividends on common shares	(6,219)	(3,781)	(12,418)	(7,552)
Repayment of short-term debt	(717)			
Repayment of long-term debt	(56)	(3,808)	(112)	(4,867)
Issuance of long-term debt		3,750		3,750
Increase in funds committed for debt repayment		2,350		1,858
Other	136		235	23
	(6,047)	(417)	(9,457)	(4,436)
Effect of changes in foreign currency rates on cash and cash equivalents	4,553	(2,601)	5,124	(4,284)

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Increase in cash and cash equivalents	40,444	52,205	73,115	99,589
Cash and cash equivalents, beginning of period	201,920	180,016	169,249	132,632
Cash and cash equivalents, end of period	\$ 242,364	\$ 232,221	\$ 242,364	\$ 232,221
Supplemental information:				
Interest paid	\$ 614	\$ 265	\$ 978	\$ 887
Income taxes paid	\$ 20,225	\$ 7,305	\$ 31,197	\$ 10,056

See accompanying notes to consolidated financial statements.

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

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

(Information as at June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005 is unaudited)

**1. Significant accounting policies:**

(a) Basis of presentation:

These unaudited consolidated financial statements present the financial position, results of operations, changes in shareholders' equity and cash flows of Ritchie Bros. Auctioneers Incorporated (the Company) and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to interim financial information and are based on accounting principles and practices consistent with those used in the preparation of the annual consolidated financial statements. These consolidated financial statements are not materially different from those that would be presented in accordance with United States GAAP (see note 7). The interim consolidated financial statements should be read in conjunction with the December 31, 2005 audited consolidated financial statements.

(b) Revenue recognition:

Auction revenues are comprised mostly of auction commissions, which are earned by the Company acting as an agent for consignors of equipment, but also include net profits on the sale of inventory, incidental interest income, internet and proxy purchase fees, and handling fees on the sale of certain lots. All revenue is recognized when the auction sale is complete and the Company has determined that the auction proceeds are collectible.

Auction commissions represent the percentage earned by the Company on the gross proceeds from equipment sold at auction. The majority of auction commissions is earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned when the Company guarantees a certain level of proceeds to a consignor. This type of commission includes 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 to be sold after a 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 (see note 6).

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

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

(Information as at June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005 is unaudited)

**1. Significant accounting policies (continued):**

(b) Revenue recognition (continued):

Auction revenues also include net profit on the sale of inventory items. In some cases, incidental to its regular commission business, the Company temporarily acquires title to items for a short time prior to a particular auction sale. The auction revenue recorded is the net gain or loss on the sale of the items.

(c) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

**2. 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. Mid-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 Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

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

Information as at June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005 is unaudited)

**3. Capital assets:**

June 30, 2006	Cost	Accumulated depreciation	Net book value
Buildings	\$ 129,748	\$ 24,027	\$ 105,721
Land and improvements	134,000	5,649	128,351
Land and buildings under development	8,038		8,038
Automotive equipment	14,037	4,961	9,076
Yard equipment	12,709	6,030	6,679
Office equipment	7,603	4,591	3,012
Computer equipment	5,910	4,159	1,751
Computer software	18,221	11,610	6,611
Leasehold improvements	3,646	1,739	1,907
	\$ 333,912	\$ 62,766	\$ 271,146
December 31, 2005	Cost	Accumulated depreciation	Net book value
Buildings	\$ 120,010	\$ 21,184	\$ 98,826
Land and improvements	114,493	4,566	109,927
Land and buildings under development	20,374		20,374
Automotive equipment	12,449	4,490	7,959
Yard equipment	10,334	5,440	4,894
Office equipment	6,604	4,226	2,378
Computer equipment	5,731	3,658	2,073
Computer software	12,977	10,850	2,127
Leasehold improvements	3,521	1,434	2,087
	\$ 306,493	\$ 55,848	\$ 250,645

During the six months ended June 30, 2006, the Company capitalized interest of \$635,000 (six months ended June 30, 2005 \$63,000) to the cost of land and buildings under development.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

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

(Information as at June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005 is unaudited)

**4. Long-term debt:**

	June 30, 2006	December 31, 2005
Term loan, unsecured, bearing interest at 5.61%, due in quarterly installments of interest only, with the full amount of the principal due in 2011.	\$ 30,000	\$ 30,000
Term loan, denominated in Canadian dollars, secured by a general security agreement, bearing interest at 4.429%, due in monthly installments of interest only, with the full amount of the principal due in 2010.	13,438	12,900
Term loan, denominated in Australian dollars, secured by deeds of trust on specific property, bearing interest between the prime rate and 6.5%, due in quarterly installments of AUD75,000, plus interest, with final payment occurring in 2008.	539	642
Current portion	43,977 (223)	43,542 (220)
Non-current portion	\$ 43,754	\$ 43,322

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

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

(Information as at June 30, 2006 and for the six-month periods ended June 30, 2006 and 2005 is unaudited)

**5. Share capital:**

(a) Shares issued:

Common shares issued and outstanding are as follows:

Issued and outstanding, December 31, 2005	34,423,900
Issued for cash, pursuant to stock options exercised	133,100
Issued and outstanding, June 30, 2006	34,557,000

(b) Stock option plan:

Stock option activity for the six months ended June 30, 2006 is as follows:

	Common Shares Under Option		Weighted Average Exercise Price
Outstanding, December 31, 2005	847,598	\$	21.90
Granted	205,950		44.09
Exercised	(133,100)		21.32
Outstanding, June 30, 2006	920,448	\$	26.95
Exercisable, June 30, 2006	698,498	\$	21.71

The options outstanding at June 30, 2006 expire on dates ranging to January 24, 2016.

The following is a summary of stock options outstanding and exercisable at June 30, 2006:

Range of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$11.675 - \$13.050	146,000	5.2	\$ 12.41	142,000	\$ 12.41
\$13.344 - \$15.525	192,298	5.8	15.02	192,298	15.02
\$26.460 - \$32.410	364,200	8.0	28.87	364,200	28.87



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\$42.690 - \$44.090

217,950

9.6

44.01

920,448

698,498

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