

RITCHIE BROS AUCTIONEERS INC

Form 6-K

July 31, 2007

**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, 2007**

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-

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, 2006, 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

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,	
	2007	2006	2007	2006
Auction revenues	\$ 94,543	\$ 78,680	\$ 163,905	\$ 134,653
Direct expenses	12,938	11,365	20,009	17,791
	81,605	67,315	143,896	116,862
Expenses:				
Depreciation and amortization	4,783	3,060	9,008	6,314
General and administrative	34,333	26,551	65,062	52,704
	39,116	29,611	74,070	59,018
Earnings from operations	42,489	37,704	69,826	57,844
Other income (expense):				
Interest expense	(380)	(435)	(706)	(720)
Gain on disposition of capital assets	93	1,821	156	1,917
Other	568	182	920	471
	281	1,568	370	1,668
Earnings before income taxes	42,770	39,272	70,196	59,512
Income tax expense:				
Current	14,520	14,738	23,999	21,350
Future	1,695	8	2,083	438
	16,215	14,746	26,082	21,788
Net Earnings	\$ 26,555	\$ 24,526	\$ 44,114	\$ 37,724
Net earnings per share (in accordance with Canadian and United States GAAP) (note 7 (d)):				
Basic	\$ 0.76	\$ 0.71	\$ 1.27	\$ 1.09
Diluted	\$ 0.76	\$ 0.70	\$ 1.26	\$ 1.08
Retained earnings, beginning of period	\$257,625	\$224,079	\$247,349	\$217,080
Net earnings	26,555	24,526	44,114	37,724

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

Cash dividends paid	(7,297)	(6,219)	(14,580)	(12,418)
Retained earnings, end of period	\$276,883	\$242,386	\$276,883	\$242,386

See accompanying notes to consolidated financial statements.

- 3 -

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 219,800	\$ 172,021
Accounts receivable	116,001	36,682
Inventory	15,690	5,614
Advances against auction contracts	3,161	1,474
Prepaid expenses and deposits	5,790	5,267
Other assets	176	2,723
Income taxes receivable	888	3,212
Future income tax asset	786	1,074
	362,292	228,067
Capital assets (note 4)	315,728	285,091
Other assets	1,000	343
Goodwill	41,738	39,537
Future income tax asset	968	1,189
	\$ 721,726	\$ 554,227
Liabilities and Shareholders Equity		
Current liabilities:		
Auction proceeds payable	\$ 164,780	\$ 65,114
Accounts payable and accrued liabilities	78,207	67,496
Short-term debt (note 5)	11,361	
Current portion of long-term debt (note 6)	254	237
Future income tax liability	813	851
	255,415	133,698
Long-term debt (note 6)	43,896	43,081
Other liabilities	354	
Future income tax liability	12,012	8,811
	311,677	185,590
Shareholders equity:		

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

Share capital (note 7)	89,261	85,910
Additional paid-in capital	11,539	10,459
Retained earnings	276,883	247,349
Accumulated other comprehensive income	32,366	24,919
	410,049	368,637
	\$ 721,726	\$ 554,227

Commitments and contingencies (note 8)

See accompanying notes to consolidated financial statements.

- 4 -

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	Accumulated Other Comprehensive Income	Total Shareholders Equity
Balance, December 31, 2006	\$ 85,910	\$ 10,459	\$ 247,349	\$ 24,919	\$ 368,637
Exercise of stock options	403	(71)			332
Stock compensation tax adjustment		36			36
Stock compensation expense		325			325
Cash dividends paid			(7,283)		(7,283)
Net earnings			17,559		17,559
Foreign currency translation adjustment				1,949	1,949
Balance, March 31, 2007	86,313	10,749	257,625	26,868	381,555
Exercise of stock options	2,948	(444)			2,504
Stock compensation tax adjustment		687			687
Stock compensation expense		547			547
Cash dividends paid			(7,297)		(7,297)
Net earnings			26,555		26,555
Foreign currency translation adjustment				5,498	5,498
Balance, June 30, 2007	\$ 89,261	\$ 11,539	\$ 276,883	\$ 32,366	\$ 410,049

Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net earnings	\$ 26,555	\$ 24,526	\$ 44,114	\$ 37,724
Other comprehensive income:				
Foreign currency translation adjustment	5,498	4,963	7,447	5,486
Comprehensive income	\$ 32,053	\$ 29,489	\$ 51,561	\$ 43,210

See accompanying notes to consolidated financial statements.

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,		2007	2006
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 26,555	\$ 24,526	\$ 44,114	\$ 37,724
Items not involving cash:				
Depreciation and amortization	4,783	3,060	9,008	6,314
Stock compensation expense	547	513	872	982
Future income taxes	1,695	8	2,083	438
Net gain on disposition of capital assets	(93)	(1,821)	(156)	(1,917)
Changes in non-cash working capital:				
Accounts receivable	33,982	29,659	(79,319)	(47,495)
Inventory	(829)	17,733	(10,076)	7,212
Advances against auction contracts	(2,901)	632	(1,687)	(2,653)
Prepaid expenses and deposits	3,289	(2,568)	(523)	(3,551)
Income taxes recoverable	(888)		2,324	
Income taxes payable	(1,671)	(5,487)		(10,027)
Auction proceeds payable	(54,767)	(26,021)	99,666	106,399
Accounts payable and accrued liabilities	(2,354)	13,092	10,448	7,475
Other	(3,953)	(4,173)	(3,997)	(4,072)
	3,395	49,153	72,757	96,829
Investing activities:				
Acquisition of business		(200)	(597)	(2,300)
Capital asset additions	(18,738)	(11,791)	(32,302)	(22,640)
Proceeds on disposition of capital assets	1,025	3,505	3,629	4,126
Decrease (increase) in other assets	(123)	1,271	(540)	1,433
	(17,836)	(7,215)	(29,810)	(19,381)
Financing activities:				
Issuance of share capital	2,504	809	2,836	2,838
Dividends on common shares	(7,297)	(6,219)	(14,580)	(12,418)
Issuance of short-term debt	11,146		21,146	
Repayment of short-term debt	(10,000)	(717)	(10,000)	
Repayment of long-term debt	(62)	(56)	(120)	(112)
Other	656	136	692	235
	(3,053)	(6,047)	(26)	(9,457)
	3,886	4,553	4,858	5,124

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

Effect of changes in foreign currency rates on cash
and cash equivalents

Increase (decrease) in cash and cash equivalents	(13,608)	40,444	47,779	73,115
Cash and cash equivalents, beginning of period	233,408	201,920	172,021	169,249
Cash and cash equivalents, end of period	\$ 219,800	\$ 242,364	\$ 219,800	\$ 242,364

Supplemental information:

Interest paid	\$ 692	\$ 614	\$ 1,346	\$ 978
Income taxes paid	\$ 15,949	\$ 20,225	\$ 19,551	\$ 31,197

See accompanying notes to consolidated financial statements.

-6-

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

1. Significant accounting policies:

(a) Basis of presentation:

These unaudited consolidated financial statements present the financial position, results of operations, comprehensive income, 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, except as described in note 2. These consolidated financial statements are not materially different from those that would be presented in accordance with United States GAAP (see note 9). The interim consolidated financial statements should be read in conjunction with the December 31, 2006 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 and other assets, 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 and other assets 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 typically 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 8).

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)
(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 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. Change in accounting policies:

On January 1, 2007, the Company adopted The Canadian Institute of Chartered Accountants Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments Recognition and Measurement, Section 3861, Financial Instruments Disclosure and Presentation and Section 3865, Hedges. Section 1530 establishes standards for reporting and presenting comprehensive income, which represents the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP. Other comprehensive income has been included in the Consolidated Statements of Comprehensive Income.

Section 3861 establishes standards for disclosure and presentation of financial instruments and non-financial derivatives. Section 3865 describes when and how hedge accounting can be applied as well as disclosure requirements. Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, and the amount at which these items should be recorded. Under the new standard, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities.

All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized costs. Subsequent measurement and the accounting for changes in fair value will depend on their initial classification.

Upon the adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which is measured at fair value and changes in fair value are recognized in net earnings. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, auction

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)
(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

2. Change in accounting policies (continued):

proceeds payable, short-term debt and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method. As at January 1, 2007, the Company decreased the carrying value of its long-term debt by \$312,000 (see note 6) to reflect this change.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in income unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income. The Company has elected to apply this accounting treatment for all embedded derivatives in host contracts entered into on or after January 1, 2003.

The adoption of these standards did not result in any material impact on the Company's financial statements.

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. 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, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

4. Capital assets:

June 30, 2007	Cost	Accumulated depreciation	Net book value
Buildings	\$ 150,906	\$ 29,926	\$ 120,980
Land and improvements	150,045	8,139	141,906
Land and buildings under development	15,514		15,514
Automotive equipment	16,558	6,067	10,491
Yard equipment	16,770	8,344	8,426
Office equipment	10,351	5,282	5,069
Computer equipment	6,039	4,274	1,765
Computer software	13,739	3,646	10,093
Leasehold improvements	2,895	1,411	1,484
	\$ 382,817	\$ 67,089	\$ 315,728
December 31, 2006	Cost	Accumulated depreciation	Net book value
Buildings	\$ 129,489	\$ 26,319	\$ 103,170
Land and improvements	131,856	6,689	125,167
Land and buildings under development	25,782		25,782
Automotive equipment	14,675	5,677	8,998
Yard equipment	15,083	7,284	7,799
Office equipment	8,174	5,075	3,099
Computer equipment	5,207	3,333	1,874
Computer software	10,187	2,298	7,889
Leasehold improvements	2,387	1,074	1,313
	\$ 342,840	\$ 57,749	\$ 285,091

During the six months ended June 30, 2007, the Company capitalized interest of \$672,000 (six months ended June 30, 2006 \$635,000) to the cost of land and buildings under development.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

5. Short-term debt:

Short-term debt at June 30, 2007 consisted of draws on the Company's revolving credit facilities with a weighted average interest rate of 7.43% per annum.

6. Long-term debt:

	June 30, 2007	December 31, 2006
Term loan, unsecured, bearing interest at 5.61%, due in quarterly installments of interest only, with full amount of the principal due in 2011.	\$ 29,890	\$ 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.	13,900	12,864
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, plus interest, with final payments of AUD275 occurring in 2008.	360	454
Current portion	44,150 (254)	43,318 (237)
Non-current portion	\$ 43,896	\$ 43,081

As at January 1, 2007, the carrying values of the term debt due in 2011 and 2010 were adjusted by \$124,000 and \$188,000, respectively, to reflect the adoption of new accounting policies, as described in note 2.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

7. Share capital:

(a) Shares issued:

Common shares issued and outstanding are as follows:

Issued and outstanding, December 31, 2006	34,673,100
Issued for cash, pursuant to stock options exercised	119,550

Issued and outstanding, June 30, 2007	34,792,650
---------------------------------------	------------

(b) Stock option plan:

Stock option activity for the six months ended June 30, 2007 is as follows:

	Common Shares Under Option		Weighted Average Exercise Price
Outstanding, December 31, 2006	804,348	\$	27.92
Granted	163,100		56.01
Exercised	(119,550)		23.73
Cancelled	(1,200)		56.01
Outstanding, June 30, 2007	846,698	\$	33.89
Exercisable, June 30, 2007	675,798	\$	28.47

The options outstanding at June 30, 2007 expire on dates ranging to March 1, 2017.

The following is a summary of stock options outstanding and exercisable at June 30, 2007:

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	104,900	4.1	\$ 12.34	104,900	\$ 12.34
\$13.344 - \$15.525	114,098	5.0	15.15	114,098	15.15

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

\$26.460 - \$32.410	268,350	7.1	29.48	268,350	29.48
\$42.690 - \$44.090	197,450	8.6	44.00	188,450	44.07
\$56.010	161,900	9.7	56.01		
	846,698			675,798	

-12-

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

7. Share capital (continued):

(c) Stock-based compensation:

The Company uses the fair value based method to account for employee stock-based compensation awards. During the six-month period ended June 30, 2007, the Company recognized compensation cost of \$872,000 (2006 \$982,000) in respect of options granted in 2007 and 2006 under its stock option plan.

For the purposes described above, the fair value of the stock option grants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Risk free interest rate	4.5%	4.3%
Dividend yield	1.50%	1.63%
Expected lives	5 years	5 years
Volatility	21.8%	21.0%

The weighted average grant date fair value of options granted during the period ended June 30, 2007 was \$13.29 per option (2006 \$9.86). The fair value method requires that this amount be amortized over the relevant vesting periods of the underlying options.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

7. Share capital (continued):

(d) Net earnings per share:

The computations for basic and diluted earnings per share are as follows:

	Three months ended June 30, 2007			Six months ended June 30, 2007		
	Net earnings	Shares	Per share amount	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 26,555	34,735,613	\$ 0.76	\$ 44,114	34,707,719	\$ 1.27
Effect of dilutive securities:						
Stock options		335,718			303,004	(0.01)
Diluted net earnings per share	\$ 26,555	35,071,331	\$ 0.76	\$ 44,114	35,010,723	\$ 1.26
	Three months ended June 30, 2006			Six months ended June 30, 2006		
	Net earnings	Shares	Per share amount	Net earnings	Shares	Per share amount
Basic net earnings per share	\$ 24,526	34,540,270	\$ 0.71	\$ 37,724	34,497,761	\$ 1.09
Effect of dilutive securities:						
Stock options		409,483	(0.01)		337,813	(0.01)
Diluted net earnings per share	\$ 24,526	34,949,753	\$ 0.70	\$ 37,724	34,835,574	\$ 1.08

8. Commitments and contingencies:

The Company is subject to legal and other claims that arise in the ordinary course of its business. The Company does not believe that the results of these claims will have a material effect on its financial position or results of operations.

In the normal course of its business, the Company will in certain situations guarantee to a consignor a minimum level of proceeds in connection with the sale at auction of that consignor's equipment. At June 30, 2007, outstanding guarantees under contract for industrial equipment to be sold prior to the end of the fourth quarter of 2007 totaled \$9,542,000 (December 31, 2006 \$14,581,000 sold prior to the end of the first quarter of 2007) (undiscounted and before estimated proceeds from sale at auction). The Company also had guarantees under contract totaling \$7,856,000 relating to agricultural auctions to be held prior to the end of the fourth quarter of 2007 (December 31, 2006 \$25,128,000 sold prior to the end of the second quarter of 2007). No liability has been recorded with respect to these guarantee contracts.

-14-

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Information as at June 30, 2007 and for the six-month periods ended June 30, 2007 and 2006 is unaudited)

9. United States generally accepted accounting principles:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada which differ, in certain respects, from accounting practices generally accepted in the United States and from requirements promulgated by the Securities and Exchange Commission. However, for the six months ended June 30, 2007 and 2006, net earnings in accordance with Canadian GAAP were not significantly different from net earnings had they been presented in accordance with United States GAAP.

-15-

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Ritchie Bros. Auctioneers Incorporated (Ritchie Bros., the Company, we or us) for the three- and six-month periods ended June 30, 2007 compared to the three- and six-month periods ended June 30, 2006. This discussion should be read in conjunction with our unaudited interim consolidated financial statements and notes thereto for the periods ended June 30, 2007, and with the disclosures below regarding forward-looking statements and risk factors. You should also consider our audited consolidated financial statements and notes thereto and our Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2006, which are included in our 2006 Annual Report on Form 40-F.

The date of this discussion is as of July 25, 2007. Additional information relating to our company, including our Annual Information Form, is available by accessing the SEDAR website at www.sedar.com. Our Annual Report on Form 40-F is available on the SEC's EDGAR system at www.sec.gov. None of the information on the SEDAR or EDGAR websites is incorporated by reference into this document by this or any other reference.

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in Canada, or Canadian GAAP. There are no material measurement differences between those financial statements and the financial position and results of operations that would be reported under generally accepted accounting principles in the United States, or U.S. GAAP. Amounts discussed below are based on our consolidated financial statements prepared in accordance with Canadian GAAP and are presented in United States dollars. Unless indicated otherwise, all dollar amounts discussed below are expressed in thousands of dollars, except per share amounts.

Ritchie Bros. is the world's largest auctioneer of industrial equipment. Our world headquarters are located in Richmond, British Columbia, Canada, and as of the date of this discussion, we operated from over 110 locations, including 37 auction sites, in more than 25 countries around the world. We sell, through unreserved public auctions, a broad range of industrial assets, including equipment, trucks and other assets used in the construction, transportation, mining, forestry, petroleum, material handling, marine, real estate and agricultural industries. Our mission is to use unreserved auctions to create a global marketplace for our customers.

We operate mainly in the auction segment of the global industrial equipment marketplace. Our primary target markets within that marketplace are the used truck and equipment sectors, which are large and fragmented. The world market for used trucks and equipment continues to grow, primarily as a result of the increasing, cumulative supply of used trucks and equipment, which is driven by the ongoing production of new trucks and equipment. Industry analysts estimate that the world-wide value of used equipment transactions (of the type of equipment we sell at our auctions) is approximately \$100 billion per year. Although we sell more used equipment than any other organization in the world, our share of this fragmented market is less than 3%. Our secondary target markets include agricultural and industrial real estate, which are related and complimentary markets to our primary markets and are also large and fragmented. In recent periods, approximately 80% of the buyers at our auctions have been end users of equipment (retail buyers), such as contractors, with the remainder being primarily truck and equipment dealers and brokers (wholesale buyers). Consignors to our auctions represent a broad mix of equipment owners, the majority being end users of equipment. Consignment volumes at our auctions are affected by a number of factors, including regular fleet upgrades and reconfigurations, financial pressure, retirements, and inventory reductions, as well as by the timing of the completion of major construction and other projects.

We compete directly for potential purchasers of industrial assets with other auction companies. Our indirect competitors include truck and equipment manufacturers, distributors and dealers that sell new or used industrial assets, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies, truck and equipment dealers and brokers, and equipment owners that have traditionally disposed of equipment through private sales.

We believe that we have several key strengths that will enable us to continue to attract increasing numbers of consignors and bidders to our auctions. Our principal strengths are our reputation for conducting only unreserved auctions and our widely recognized commitment to fair dealing. Other important strengths include our size, the international scope of our operations, our extensive network of auction sites, our marketing skills, our internet tools and our in-depth experience in the marketplace.

Strict adherence to the unreserved auction process is one of our founding principles and, we believe, one of our most significant competitive advantages. When we say unreserved we mean that there are no minimum or reserve prices on anything sold at a Ritchie Bros. auction each item sells to the highest bidder on sale day, regardless of the price. In addition, consignors (or their agents) are not allowed to bid on, buy back or in any way influence the selling price of their own equipment. We maintain this commitment to the unreserved auction process because we believe that an unreserved auction is a fair auction.

We attract a broad base of bidders from around the world to our auctions. Our worldwide marketing efforts help to attract bidders, and they are willing to travel long distances or participate online in part because of our reputation for conducting fair auctions. These multinational bidding audiences provide a global marketplace that allows our auctions to transcend local market conditions, which we believe is a significant competitive advantage. Evidence of this is the fact that in recent periods an average of over 50% of the value of equipment sold at any particular auction has left the region of the sale.

We believe that our ability to consistently draw significant numbers of local and international bidders to our auctions, most of whom are end users rather than resellers, is appealing to sellers of used trucks and equipment and helps us to attract consigned equipment to our auctions. Higher consignment volumes attract more bidders, which in turn attract more consignments, and so on. During the six months ended June 30, 2007, we had over 129,000 bidder registrations at our industrial auctions, compared to more than 118,000 in the first half of 2006. We received in excess of 17,000 industrial asset consignments in the six months ended June 30, 2007, compared to over 15,000 in the first half of 2006. A consignment is typically comprised of multiple lots.

Growth Strategies

Our principal goals are to grow our earnings per share at a manageable pace and to maintain the Ritchie Bros. culture. Our preference is to pursue sustainable growth with a consistently high level of customer service, rather than targeting aggressive growth and risking erosion of our customer service, which we believe differentiates us from our competitors. To grow our business, we are focusing simultaneously on three different fronts, and we believe these three key components of our strategy work in unison. Although we have been pursuing this strategy for some time, our articulation of this strategy has been updated and changed somewhat from our previous discussions to reflect the ongoing evolution of our business.

1. Our people

One of our key strategies is to build the team that will help us achieve our goals. This includes recruiting, training and developing the right people, as well as enhancing the productivity of our sales force and our administrative support teams by giving them the tools and training they need to be effective. This component of our strategy also includes active succession planning and leadership development, with a focus on promoting from within our company.

Our ability to recruit and train capable new members for our sales team has a significant influence on our rate of growth. Ours is a relationship business and our Territory Managers are the main point of contact with our customers. We look for bright, hard-working individuals with positive attitudes, and we are committed to providing our people with a great workplace and opportunities to grow with the company and become future leaders of our global team.

2. Our places

We intend to continue to expand our presence in existing markets and enter new markets, and to expand our international auction site network to handle the expected growth in our business.

Although we expect that most of our growth over the next five years will come from expanding our business and increasing our penetration in regions where we already have a presence, such as the United States and Western Europe, we anticipate that emerging markets in developing countries will be important in the longer term.

We aim to increase our market share in our core markets of construction, transportation and agricultural equipment, and to sell more assets in categories that are complimentary to these core markets. Examples of these complimentary categories include mining, forestry, industrial marine, real estate and others.

We also plan to expand our international network of auction sites, opening an average of two to three sites per year. Our shorter-term focus for this expansion is the United States and Western Europe. In addition, we intend to continue to hold offsite auctions in new regions to expand the scope of our operations.

3. Our processes

We are committed to developing and continually refining the processes and systems that we use to conduct our business, and we expect that this continuous improvement process will allow us to grow our revenues faster than our operating costs. We believe that our M07 strategic initiative is helping us to develop business processes and systems that are efficient, consistent and scalable, and a continuous improvement mindset in our company. Part of our M07 initiatives includes the implementation of a new enterprise resource planning (or ERP) system, which we commenced in 2006 and expect to substantially complete in 2007. We also intend to use technology to facilitate our growth and enhance the quality and service level of our auctions.

We believe that these three components work together because our people help us to achieve our goals, our places give us focus areas for and the capacity to handle growth, and our processes help to facilitate revenue growth at a quicker pace than our operating cost increases.

Operations

The majority of our industrial auctions are held at our permanent auction sites, where we own the land and facilities, or at regional auction units, where we lease the land. We also hold off-site auctions at temporary locations, often on land owned by one of the main consignors to the particular auction. Most of our agricultural auctions are off-site auctions that take place on the consignor's farm. During the first six months of 2007, 85% of our total gross auction proceeds was attributable to auctions held at our permanent auction sites and regional auction units (first six months of 2006 89%). Gross auction proceeds represent the total proceeds from all items sold at our auctions (please see further discussion below).

We are also using the internet to increase our level of service and to expand the geographic scope of our bidding audience and the appeal of our auctions. Approximately 26% of the bidder registrations at our industrial auctions during the six months ended June 30, 2007 were over the internet (first six months of 2006 23%).

During the first half of 2007, we conducted 87 unreserved industrial auctions at locations in North America, Europe, the Middle East, Australia and Mexico (first half of 2006 85). We also held 146 unreserved agricultural auctions during the six months ended June 30, 2007, primarily in Canada and the United States (first six months of 2006 115). Although our auctions have varied in size over the last 12 months, our average industrial auction during the 12 month period ended June 30, 2007 attracted over 1,400 bidder registrations (12 months ended June 30, 2006 1,300) and featured over 1,400 lots (12 months ended June 30, 2006 1,300) consigned by 188 consignors (12 months ended June 30, 2006 182), generating average gross auction proceeds of approximately \$15.9 million per auction (12 months ended June 30, 2006 \$13.9 million). Our agricultural auctions over the last 12 months averaged approximately \$0.7 million in size, compared to \$0.9 million over the same period in 2006.

Approximately 59% of our auction revenues in the first half of 2007 was earned from operations in the United States (first half of 2006 63%), 22% was generated from auctions in Canada (first half of 2006 20%) and the remaining 19% was earned from auctions in countries other than the United States and Canada, primarily in Europe, the Middle East, Australia, Mexico and Singapore (first half of 2006 17%). We had 891 full-time employees at June 30, 2007, including 259 sales representatives, compared to 748 and 226, respectively, as at June 30, 2006.

We are a public company and our common shares are listed under the symbol RBA on the New York Stock Exchange and the Toronto Stock Exchange (or the TSX). On July 25, 2007, we had 34,794,500 common shares issued and outstanding and stock options outstanding to purchase a total of 844,848 common shares.

Sources of Revenue and Revenue Recognition

Gross auction proceeds, which until recently we referred to as gross auction sales, represent the total proceeds from all items sold at our auctions. Our definition of gross auction proceeds may differ from those used by other participants in our industry. Gross auction proceeds is an important measure we use in comparing and assessing our operating performance. It is not a measure of our financial performance, liquidity or revenue and is not presented in our consolidated financial statements. We believe that auction revenues, which is the most directly comparable measure in our Statement of Operations, and certain other line items, are best understood by considering their relationship to gross auction proceeds. Auction revenues represent the revenues we earn in the course of conducting our auctions. The portion of our gross auction proceeds that we do not retain is remitted to our customers who consign items to our auctions.

Auction revenues are comprised of auction commissions earned from consignors through straight commission and guarantee contracts, net profits on the sale of inventory items, interest income, handling fees on the sale of certain lots, and the fees applicable to purchases made through our internet and proxy bidding systems. All revenue is recognized when the auction sale is complete and we have determined that the auction proceeds are collectible.

Straight commissions are our most common type of auction revenues and are generated by us when we act as agent for consignors and earn a pre-negotiated, fixed commission rate on the gross sales price of the consigned equipment at auction. In recent periods, straight commission sales have represented approximately 75% of our gross auction proceeds volume on an annual basis.

In some situations we guarantee minimum sales proceeds to the consignor and earn a commission based on the actual results of the auction, typically including a pre-negotiated percentage of any sales proceeds in excess of the guaranteed amount. The consigned equipment is sold on an unreserved basis in the same manner as other consignments. If the actual auction proceeds are less than the guaranteed amount, our commission is reduced, and if the proceeds are sufficiently less, we can incur a loss on the sale. We factor in a higher rate of commission on these sales to compensate for the increased risk we assume.

Our financial exposure from guarantee contracts fluctuates over time, but industrial auction guarantees are usually outstanding for less than 45 days. Agricultural auction guarantees are generally outstanding for a longer period of time; a common practice is for these contracts to be signed in the fall of one year for auctions to be held in the spring of the next year.

The combined exposure at any time from all outstanding guarantee contracts can fluctuate significantly from period to period, but the quarter-end balances averaged approximately \$45 million over the last 12 months. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is completed, unless the loss is incurred after the period end and before the financial reporting date, in which case the loss is accrued in the financial statements for the period end. In recent periods, guarantee contracts have represented approximately 15% of gross auction proceeds on an annual basis.

Auction revenues also include the net profit or loss on the sale of inventory in cases where we acquire ownership of equipment for a short time prior to an auction sale. Following our purchase of the equipment, we assign it to a specific auction and sell it at that auction in the same manner as consigned equipment. During the period that we retain ownership, the cost of the equipment is recorded as inventory on our balance sheet. The net gain or loss on the sale is recorded as auction revenues. In recent periods, sales of inventory have represented approximately 10% of gross auction proceeds on an annual basis. We generally refer to our guarantee and outright purchase business as our underwritten or at-risk business.

The choice by consignors between straight commission, guarantee, or outright purchase arrangements depends on many factors, including the consignor's risk tolerance and sale objectives. In addition, we do not have a target for the relative mix of contracts. As a result, the mix of contracts in a particular quarter or year fluctuates and is not necessarily indicative of the mix in future periods. The composition of our auction revenues and our auction revenue rate (i.e. auction revenues as a percentage of gross auction proceeds) are affected by the mix and performance of contracts entered into with consignors in the particular period and fluctuate from period to period. Our auction revenue rate performance is presented in the table below.

Prior to 2002, our long-term expected average annual auction revenue rate was approximately 8.80%. With the introduction of a handling fee in 2002 and proxy and internet purchase fees in 2003, our long-term expected average annual auction revenue rate increased to approximately 9.30%. In 2003, we determined that we were achieving a sustainably higher average auction revenue rate and we increased our long-term expected average annual auction revenue rate to 9.50%. At the end of 2003 we increased our expected

average annual auction revenue rate to the range of 9.50% to 10.00%, and our expectation has remained in this range since then. We achieved an auction revenue rate of 9.96% for the six months ended June 30, 2007 and we believe that our sustainable average annual auction revenue rate continues to be in the range of 9.50% to 10.00%, though our actual auction revenue rate may be above or below this range.

The largest contributor to the variability in our auction revenue rate is the performance, rather than the amount, of our underwritten business. In a period when our underwritten business performs better than average, our auction revenue rate typically exceeds the expected average rate. Conversely, if our underwritten business performs below average, our auction revenue rate will typically be below the expected average rate.

Our gross auction proceeds and auction revenues are influenced by the seasonal nature of the auction business, which is determined mainly by the seasonal nature of the construction and natural resources industries. Our gross auction proceeds and auction revenues tend to be higher during the second and fourth calendar quarters, during which time we generally conduct more business than in the first and third calendar quarters.

Our gross auction proceeds and auction revenues are also affected on a period-to-period basis by the timing of major auctions. In newer markets where we are developing operations, the number and size of auctions and, as a result, the level of gross auction proceeds and auction revenues, are likely to vary more dramatically from period to period than in our established markets where the number, size and frequency of our auctions are more consistent. In addition, economies of scale are achieved as our operations in a region evolve from conducting intermittent auctions, establishing a regional auction unit, and ultimately to developing a permanent auction site. Economies of scale are also achieved when our auctions increase in size, as has occurred in recent periods.

Because of these seasonal and period-to-period variations, we believe that our gross auction proceeds and auction revenues are best compared on an annual basis, rather than on a quarterly basis.

Developments in 2007

Highlights of the first half of 2007 included:

We held the largest auction in our history, at our permanent auction site in Orlando, Florida, with gross auction proceeds of \$172 million.

We broke regional gross auction proceeds records in Fort Worth, Texas, Houston, Texas, Atlanta, Georgia, Northeast, Maryland, Denver, Colorado, Columbus, Ohio, Edmonton, Alberta, Saskatoon, Saskatchewan and Singapore.

We completed our acquisition of the business and assets of Clarke Auctioneers Ltd., a Rouleau, Saskatchewan-based auctioneer of agricultural equipment. This added to our network a new auction site. We have not disclosed the terms of this acquisition because we do not believe they are material to our financial condition or results of operations.

We held our first auctions at our replacement permanent auction site in Denver, Colorado and at our new permanent auction site in Columbus, Ohio.

We established a regional auction unit near Paris, France, and completed the acquisition of an approximately 50-acre property nearby on which we are building a new permanent auction facility.

We completed the purchase of approximately 140 acres of land near Kansas City, Missouri, on which we expect to commence the construction of a new permanent auction facility to replace the regional auction unit in that region. We expect to be holding auctions on this property by the end of 2007 and to open the permanent auction site in 2008.

We completed the purchase of approximately 160 acres of land in Grande Prairie, Alberta, on which we expect to build a new permanent auction site to replace our current permanent facility in that region. The timing of our development of this property has not yet been determined.

We established a regional auction unit on leased land in Hartford, Connecticut.

As part of our ongoing succession plans, we announced our intention to re-establish the role of Chief Operating Officer in early 2008 and to appoint Robert Armstrong, our Chief Financial Officer and Corporate Secretary, to this position. We have commenced a search for a new Chief Financial Officer to succeed Mr. Armstrong.

Randall Wall, our current President, Canada, Europe and Middle East, announced his intention to change his role in the first half of 2008. Mr. Wall will continue to work with our company, focusing his efforts on our property development and training initiatives, but will no longer be one of our Executive Officers. Rather than appointing a new President, we intend to assign other executives to perform these duties, which is part of our ongoing succession plans.

We adopted a Shareholder Rights Plan, which is designed to ensure the fair treatment of shareholders in the event of any take-over offer for our common shares.

Overall Performance

During the first six months of 2007, we recorded auction revenues of \$163.9 million and net earnings of \$44.1 million, or \$1.26 per diluted common share. This performance compares to auction revenues of \$134.7 million and net earnings of \$36.6 million, or \$1.05 per diluted share, during the first half of 2006, excluding the effect of after-tax gains of \$1.1 million (\$1.8 million before tax) on the sale of excess property in Tampa, Florida. Financial statement net earnings during the first six months ended June 30, 2006 were \$37.7 million, or \$1.08 per diluted common share. We have highlighted this gain on the disposal of capital assets because we do not believe that the sale of excess property is part of our normal operations. Our financial performance in the first half of 2007 was stronger than the equivalent period in 2006 primarily as a result of increased gross auction proceeds offset in part by higher operating costs. We ended the first half of 2007 with working capital of \$106.9 million, compared to \$94.4 million at December 31, 2006.

Results of Operations

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

We conduct operations around the world in a number of different currencies, but our reporting currency is the United States dollar. In the first half of 2007, approximately 35% of our revenues and approximately 50% of our operating costs were denominated in currencies other than the United States dollar, which is roughly consistent with the rates we expect to experience on a full year basis and with the relative proportions in recent periods. The proportion of revenues denominated in currencies other than the United States dollar in a given period will differ from the annual proportion depending on the size and location of auctions held during the period.

The main currencies other than the United States dollar in which our revenues and operating costs are denominated are the Canadian dollar and the Euro. In recent periods there have been significant fluctuations in the value of the Canadian dollar and Euro relative to the United States dollar. These fluctuations affect our reported auction revenues and operating expenses when non-United States dollar amounts are converted into United States dollars for financial statement reporting purposes. However, in recent periods, the effect on reported auction revenues and operating expenses in our consolidated financial statements has largely offset, making the impact of the currency fluctuation on our annual net earnings essentially neutral.

United States Dollar Exchange Rate Comparison

Six months ended June 30,	2007	2006	% Change in U.S.\$
Average value of one U.S. dollar:			
Canadian dollar	\$1.1349	\$1.1385	%
Euro	0.7523	0.8136	-8%

Auction Revenues

Six months ended June 30,	2007	2006	% Change
Auction revenues	\$ 163,905	\$ 134,653	22%
Gross auction proceeds	\$1,645,624	\$1,402,021	17%
Auction revenue rate	9.96%	9.60%	

Our auction revenues increased in the first half of 2007 compared to the equivalent period in 2006 primarily as a result of higher gross auction proceeds in most of our markets around the world, in particular the United States, Canada and Europe, and a higher auction revenue rate. Our underwritten business (guarantee and inventory contracts) represented 23% of our total gross auction proceeds in the first half of 2007 (first half of 2006 27%), which is in a similar range to the proportions experienced in recent periods.

Our agricultural division generated gross auction proceeds of \$94.1 million during the first half of 2007, compared to \$98.9 million in the corresponding period in 2006. We believe that the decrease in this division between the first half of 2007 and the first half of 2006 is an example of the variability of our sales from period to period resulting from the timing and size of individual auctions, and not necessarily an indication of a trend in this business.

Our auction revenue rate for the first half of 2007 was within our expected range of 9.50% to 10.00%. The increase compared to our performance in the equivalent period in 2006 related primarily to the performance of our underwritten business, which performed better in 2007 than in 2006. We continue to believe that our sustainable average auction revenue rate will be within our expected range. However, our experience has shown that our auction revenue rate is difficult to estimate precisely, which means our actual auction revenue rate in future periods may be above or below our expected range.

Our auction revenues and our net earnings are influenced to a great extent by small changes in our auction revenue rate. For example, a 10 basis point (0.1%) increase or decrease in our auction revenue rate during the first half of 2007 would have impacted auction revenues by approximately \$1.6 million, of which approximately \$1.0 million or \$0.03 per common share would have flowed through to net earnings after tax in our statement of operations, assuming no other changes. This factor is important to consider when evaluating our current and past performance, as well as when judging future prospects.

Direct Expenses

Six months ended June 30,	2007	2006	% Change
Direct expenses	\$20,009	\$17,791	12%
Direct expenses as a percentage of gross auction proceeds	1.22%	1.27%	

Direct expenses are the costs we incur specifically to conduct an auction. Direct expenses include the costs of hiring temporary personnel to work at the auction, advertising directly related to the auction, travel costs

for employees to attend and work at the auction, security hired to safeguard equipment at the auction site and rental expenses for temporary auction sites. At each quarter end, we estimate the direct expenses incurred with respect to auctions completed near the end of the period. In the subsequent quarter, these accruals are adjusted, to the extent necessary, to reflect actual costs incurred.

Our direct expense rate, which represents direct expenses as a percentage of gross auction proceeds, fluctuates from period to period based in part on the size and location of the auctions we hold during a particular period. The direct expense rate generally decreases as the average size of our auctions increases. In addition, we usually experience lower direct expense rates for auctions held at permanent auction sites compared to auctions held at offsite locations, mainly as a result of the economies of scale and other efficiencies that we typically experience at permanent auction sites. Our direct expense rate for the first half of 2007 was roughly consistent with the rate we achieved in the comparable period in 2006.

Depreciation and Amortization Expense

Six months ended June 30,	2007	2006	% Change
Depreciation and amortization expense	\$9,008	\$6,314	43%

Depreciation is calculated on either a straight line or a declining balance basis on capital assets employed in our business, including buildings, computer hardware and software, automobiles and yard equipment. Depreciation increased in the first half of 2007 compared to the first half of 2006 as a result of depreciation relating to new assets that we have put into service in recent periods, such as new auction facilities and our ERP system implementation. We expect our depreciation in future periods to increase in line with our on-going capital expenditures.

General and Administrative Expenses

Six months ended June 30,	2007	2006	% Change
General and administrative expenses	\$65,062	\$52,704	23%

General and administrative expenses, or G&A, include such expenditures as personnel (salaries, wages, bonuses and benefits), non-auction related travel, information technology, repairs and maintenance, advertising and utilities. Our infrastructure and workforce have continued to grow to support our growth objectives, and this, combined with other factors such as costs associated with our ERP implementation and business process improvement projects, and currency fluctuations, has resulted in an increase in our G&A. Personnel costs are the largest component of our G&A, and our workforce increased 19% between June 30, 2006 and June 30, 2007. We expect ongoing expansion of our infrastructure and workforce to support our growth objectives, and this will continue to influence future levels of G&A.

Gain on Disposition of Capital Assets

Six months ended June 30,	2007	2006	% Change
Gain on disposition of capital assets	\$156	\$1,917	-92%

The gain on disposition of capital assets recorded in the first half of 2006 included a \$1.8 million gain recorded on the sale of excess property in Tampa, Florida. There was no disposition of excess property during the first six months of 2007.

Income Taxes

Six months ended June 30,	2007	2006	% Change
Income taxes	\$26,082	\$21,788	20%
Effective income tax rate	37.2%	36.6%	

Income taxes have been calculated using the tax rates in effect in each of the tax jurisdictions in which we earn our income. The effective tax rate for the six months ended June 30, 2007 was higher than the rate we experienced in the comparable period of the preceding year as a result of differences in earnings within the various tax jurisdictions in which we earn our income. Income tax rates in future periods will fluctuate depending upon the impact of unusual items and the level of earnings in the different tax jurisdictions in which we earn our income.

Net Earnings

Six months ended June 30,	2007	2006	% Change
Net earnings	\$44,114	\$37,724	17%
Net earnings per share basic	1.27	1.09	17%
Net earnings per share diluted	1.26	1.08	17%

Our net earnings in the first half of 2007 were higher than our earnings for the equivalent period in 2006, primarily as a result of increased gross auction proceeds and a higher auction revenue rate, partially offset by higher operating costs and income taxes. Net earnings for the first half of 2006 would have been \$36.6 million, or \$1.06 and \$1.05 per basic and diluted share, respectively, if we excluded the \$1.1 million, or \$0.03 per diluted share, after-tax (\$1.8 million before tax) effect of gains recorded on the sale of excess property in Florida during the period. Excluding the impact of this gain recorded in the first six months of 2006, our net earnings increased by 20% during the first half of 2007.

*Quarter Ended June 30, 2007 Compared to Quarter Ended June 30, 2006**United States Dollar Exchange Rate Comparison*

The proportion of revenues and expenses denominated in currencies other than the United States dollars in a given period will differ from the annual proportion depending on the size and location of auctions held during the period, but is roughly consistent with the rates we expect to experience on a full year basis and from period to period.

Three months ended June 30,	2007	2006	% Change in U.S. \$
Average value of one U.S. dollar:			
Canadian dollar	\$1.0981	\$1.1224	-2%
Euro	0.7523	0.7945	-5%

Auction Revenues

Three months ended June 30,	2007	2006	% Change
Auction revenues	\$ 94,543	\$ 78,680	20%
Gross auction proceeds	\$945,256	\$830,493	14%
Auction revenue rate	10.00%	9.47%	

The increase in auction revenues in the second quarter of 2007 compared to the equivalent period in 2006 was primarily attributable to higher gross auction proceeds, especially in the United States, Canada and Europe, and a higher auction revenue rate applicable to those sales. Our agricultural division generated gross auction proceeds of \$82.1 million during the second quarter of 2007, compared to \$68.5 million in the equivalent period in 2006. The increase in the second quarter of 2007 related almost entirely to the timing of sales between periods. Our underwritten business represented 23% of gross auction proceeds in the second quarter of 2007 (2006 31%), which is within the range we have experienced in recent periods.

Direct Expenses

Three months ended June 30,	2007	2006	% Change
Direct expenses	\$ 12,938	\$ 11,365	14%
Direct expenses as a percentage of gross auction proceeds	1.37%	1.37%	

Our direct expense rate fluctuates from period to period based in part on the size and location of the auctions we hold during a particular period. Our direct expense rate in the second quarter of 2007 was comparable to the rate experienced in the corresponding quarter in 2006.

Depreciation and Amortization Expense

Three months ended June 30,	2007	2006	% Change
Depreciation and amortization expense	\$4,783	\$3,060	56%

Depreciation and amortization in the second quarter of 2007 increased compared to the second quarter of 2006 as a result of depreciation relating to new assets that we have put into service in recent periods, such as new auction facilities and our ERP system.

General and Administrative Expenses

Three months ended June 30,	2007	2006	% Change
General and administrative expenses	\$34,333	\$26,551	29%

The increase in our G&A was consistent with the growth in our business and also reflected costs associated with our ERP implementation and business process improvement projects, and currency fluctuations. The main contributor to our G&A growth for the second quarter of 2007 compared to the second quarter of 2006 was our increased headcount. Our workforce grew by 20%, which resulted in higher personnel costs for the quarter ended June 30, 2006.

Gain on Disposition of Capital Assets

Three months ended June 30,	2007	2006	% Change
Gain on disposition of capital assets	\$93	\$1,812	-95%

We recorded a gain on the sale of excess property in Tampa, Florida in the second quarter of 2006. There was no disposition of excess property in the second quarter of 2007.

Income Taxes

Three months ended June 30,	2007	2006	% Change
Income taxes	\$16,215	\$14,746	10%
Effective income tax rate	37.9%	37.5%	

Income taxes have been calculated using the tax rates in effect in each of the tax jurisdictions in which we earn our income. The effective tax rate for the quarter ended June 30, 2007 was roughly consistent with the rate we experienced in the same quarter in 2006. Income tax rates in future periods will fluctuate depending upon the impact of any unusual items and the level of earnings in the different tax jurisdictions in which we earn our income.

Net Earnings

Three months ended June 30,	2007	2006	% Change
Net earnings	\$26,555	\$24,526	8%
Net earnings per share basic	0.76	0.71	7%
Net earnings per share diluted	0.76	0.70	8%

Net earnings in the second quarter of 2007 were higher than our net earnings in the comparable period in 2006 primarily as a result of increased gross auction proceeds and a higher auction revenue rate, partially offset by higher operating costs and income taxes. Net earnings in the second quarter of 2006 would have been \$23.4 million, or \$0.67 per diluted share, excluding the \$1.1 million after-tax (\$1.8 million before tax) effect of gains recorded on the sale of excess property in Florida. Excluding the impact of this gain recorded in 2006, our net earnings increased by 13% in 2007.

Summary of Quarterly Results

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight fiscal quarters. This data has been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2006 and 2005.

	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Gross auction proceeds ⁽¹⁾	\$945,256	\$700,368	\$738,731	\$580,271
Auction revenues	\$ 94,543	\$ 69,362	\$ 70,699	\$ 55,688
Net earnings	26,555	17,559	9,790 ⁽²⁾	9,704

Edgar Filing: RITCHIE BROS AUCTIONEERS INC - Form 6-K

Net earnings per share	basic	\$	0.76	\$	0.51	\$	0.28 ₍₂₎	\$	0.28
Net earnings per share	diluted		0.76		0.50		0.28 ₍₂₎		0.28

	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Gross auction proceeds ⁽¹⁾	\$830,493	\$571,528	\$589,865	\$364,005
Auction revenues	\$ 78,680	\$ 55,973	\$ 59,933	\$ 38,430
Net earnings	24,526 ⁽³⁾	13,198	14,203	4,568
Net earnings per share basic	\$ 0.71 ⁽³⁾	\$ 0.38	\$ 0.41	\$ 0.13
Net earnings per share diluted	0.70 ⁽³⁾	0.38	0.41	0.13

(1) Gross auction proceeds represents the total proceeds from all items sold at our auctions. Gross auction proceeds is not a measure of revenue and is not presented in our consolidated financial statements. See further discussion above under Sources of Revenue and Revenue Recognition.

(2) Net earnings in the fourth quarter of 2006 included a write-down of \$223 (\$134 after tax) on land held for resale in Texas. Excluding this amount, net earnings would have been \$9,924, or \$0.28

per basic and diluted share, respectively.

- (3) Net earnings in the second quarter of 2006 included a gain of \$1,812 recorded on the sale of excess property in Florida (\$1,087, or \$ 0.03 per diluted share, after tax). Excluding this amount, net earnings would have been \$23,439, or \$0.68 and \$0.67 per basic and diluted share, respectively.

Liquidity and Capital Resources