

RITCHIE BROS AUCTIONEERS INC

Form 6-K

August 03, 2005

**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, 2005

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, 2004, a copy of which has been filed with the Securities and Exchange Commission. These policies have been applied on a consistent basis.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Statements of Operations

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

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Auction revenues	\$ 65,692	\$ 55,996	\$ 114,270	\$ 93,666
Direct expenses	8,592	7,853	14,076	12,400
	57,100	48,143	100,194	81,266
Expenses:				
Depreciation and amortization	3,464	3,045	6,863	6,007
General and administrative	21,901	20,420	44,457	39,837
	25,365	23,465	51,320	45,844
Earnings from operations	31,735	24,678	48,874	35,422
Other income (expense):				
Interest expense	(662)	(793)	(1,341)	(1,753)
Gain on disposition of capital assets	1,054	56	6,502	104
Other	39	219	237	282
	431	(518)	5,398	(1,367)
Earnings before income taxes	32,166	24,160	54,272	34,055
Income tax expense (recovery):				
Current	11,571	8,709	19,916	11,770
Future	(539)	287	(453)	531
	11,032	8,996	19,463	12,301
Net Earnings	\$ 21,134	\$ 15,164	\$ 34,809	\$ 21,754
Net earnings per share (in accordance with Canadian and United States GAAP) (note 5):				
Basic	\$ 0.62	\$ 0.44	\$ 1.01	\$ 0.64
Diluted	\$ 0.61	\$ 0.44	\$ 1.00	\$ 0.63

See accompanying notes to consolidated financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	June 30, 2005	December 31, 2004
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 232,221	\$ 132,632
Accounts receivable	80,629	19,281
Inventory	2,928	13,091
Advances against auction contracts	3,002	968
Funds committed for debt repayment (note 4)	3,714	1,857
Prepaid expenses and deposits	4,191	2,323
Other assets	667	654
Future income tax asset	386	496
	327,738	171,302
Capital assets (note 3)	232,175	226,624
Funds committed for debt repayment (note 4)	1,393	5,108
Other assets	1,539	1,876
Goodwill	37,892	37,499
	\$ 600,737	\$ 442,409
Liabilities and Shareholders Equity		
Current liabilities:		
Auction proceeds payable	\$ 177,890	\$ 47,581
Accounts payable and accrued liabilities	42,329	45,334
Income taxes payable	16,070	6,383
Current portion of long-term debt (note 4)	39,973	35,133
	276,262	134,431
Long-term debt (note 4)	4,552	10,792
Other liabilities	490	1,563
Future income tax liability	5,955	6,359
Shareholders equity:		
Share capital (note 5)	79,417	76,445
Additional paid-in capital	8,224	7,859
Retained earnings	210,695	183,438

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Foreign currency translation adjustment	15,142	21,522
	313,478	289,264
Commitments and contingencies (note 6)		
	\$ 600,737	\$ 442,409

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, 2004	\$ 76,445	\$ 7,859	\$ 183,438	\$ 21,522	\$ 289,264
Exercise of stock options	1,502	(222)			1,280
Stock compensation tax adjustment		126			126
Stock compensation expense		418			418
Net earnings			13,675		13,675
Cash dividends paid			(3,771)		(3,771)
Foreign currency translation adjustment				(2,202)	(2,202)
Balance, March 31, 2005	77,947	8,181	193,342	19,320	298,790
Exercise of stock options	1,470	(398)			1,072
Stock compensation tax adjustment		95			95
Stock compensation expense		346			346
Net earnings			21,134		21,134
Cash dividends paid			(3,781)		(3,781)
Foreign currency translation adjustment				(4,178)	(4,178)
Balance, June 30, 2005	\$ 79,417	\$ 8,224	\$ 210,695	\$ 15,142	\$ 313,478

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,	30,	30,
	2005	2004	2005	2004
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 21,134	\$ 15,164	\$ 34,809	\$ 21,754
Items not involving cash:				
Depreciation and amortization	3,464	3,045	6,863	6,007
Stock compensation expense	346	353	764	749
Future income taxes	(539)	225	(453)	400
Net gain on disposition of capital assets	(1,054)	(56)	(6,502)	(104)
Changes in non-cash working capital:				
Accounts receivable	27,703	3,567	(61,348)	(43,112)
Inventory	5,612	(5,743)	10,163	(1,910)
Advances against auction contracts	470	1,583	(2,034)	(1,884)
Prepaid expenses and deposits	(861)	(222)	(1,868)	506
Income taxes payable	4,569	2,036	9,908	1,529
Auction proceeds payable	1,355	19,155	130,309	104,837
Accounts payable and accrued liabilities	3,972	2,723	(4,684)	(3,872)
Other	1,154	818	2,450	1,143
	67,325	42,648	118,377	86,043
Investing activities:				
Acquisition of business		(7)		(1,171)
Capital asset additions	(14,839)	(5,969)	(19,150)	(9,560)
Proceeds on disposition of capital assets	2,221	585	8,758	915
Increase in other assets	516	3	324	2
	(12,102)	(5,388)	(10,068)	(9,814)
Financing activities:				
Issuance of share capital	1,072	597	2,352	2,869
Dividends on common shares	(3,781)	(2,563)	(7,552)	(5,112)
Issuance of long-term debt	3,750		3,750	
Repayment of long-term debt	(3,808)	(6,153)	(4,867)	(6,781)
Increase in other liabilities		6	23	28
Increase in funds committed for debt repayment	2,350	(3,250)	1,858	(3,715)
	(417)	(11,363)	(4,436)	(12,711)
Effect of foreign currency rates on cash and cash equivalents	(2,601)	(1,035)	(4,284)	(1,731)

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Increase in cash and cash equivalents	52,205	24,862	99,589	61,787
Cash and cash equivalents, beginning of period	180,016	155,934	132,632	119,009
Cash and cash equivalents, end of period	\$ 232,221	\$ 180,796	\$ 232,221	\$ 180,796

Supplemental information:

Interest paid	\$ 265	\$ 677	\$ 887	\$ 1,536
Income taxes paid	\$ 7,305	\$ 6,624	\$ 10,056	\$ 10,904

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, 2005 and 2004

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

(Information as at June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004 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. The interim consolidated financial statements should be read in conjunction with the December 31, 2004 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, 2005 and 2004

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

(Information as at June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004 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, 2005 and 2004

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

(Information as at June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004 is unaudited)

3. Capital assets:

June 30, 2005	Cost	Accumulated depreciation	Net book value
Buildings	\$ 119,458	\$ 19,840	\$ 99,618
Land and improvements	112,298	4,224	108,074
Land and buildings under development	3,705		3,705
Automotive equipment	11,718	4,130	7,588
Yard equipment	9,884	5,061	4,823
Office equipment	6,360	3,888	2,472
Computer equipment	5,494	3,010	2,484
Computer software	11,170	9,937	1,233
Leasehold improvements	3,284	1,106	2,178
	\$ 283,371	\$ 51,196	\$ 232,175
December 31, 2004	Cost	Accumulated depreciation	Net book value
Buildings	\$ 113,742	\$ 18,588	\$ 95,154
Land and improvements	100,154	4,125	96,029
Land and buildings under development	13,538		13,538
Automotive equipment	11,389	4,272	7,117
Yard equipment	9,540	4,685	4,855
Office equipment	6,169	3,799	2,370
Computer equipment	5,784	2,940	2,844
Computer software	11,114	8,766	2,348
Leasehold improvements	3,321	952	2,369
	\$ 274,751	\$ 48,127	\$ 226,624

During the six months ended June 30, 2005, the Company capitalized interest of \$63,000 (six months ended June 30, 2004 \$68,000) to the cost of land and buildings under development.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2005 and 2004

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

(Information as at June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004 is unaudited)

4. Long-term debt:

	June 30, 2005	December 31, 2004
Term loans, unsecured, bearing interest between 5.95% and 7.15%, due in minimum annual installments of \$2.9 million (\$0.75 million towards principal, \$1.4 million towards a sinking fund), with final payments occurring in 2005 and 2006.	\$ 12,250	\$ 17,000
Revolving loans, denominated in Canadian dollars, unsecured, bearing interest at the Canadian Prime Rate plus 0.25%, due in monthly installments of interest only, with the full amount of the principal due in 2005.	12,245	12,505
Revolving loans, unsecured, bearing interest between 3.955% and 3.965%, due in monthly installments of interest only, with the full amount of the principal due in 2005.	19,250	15,500
Term loan, denominated in Australian dollars, secured by deeds of trust on specific property, bearing interest between the Australian prime rate and 6.5%, due in quarterly installments of AUD75,000, plus interest, with final payment occurring in 2008.	780	920
Current portion	44,525 (39,973)	45,925 (35,133)
Non-current portion	\$ 4,552	\$ 10,792

The Company expects to refinance certain of its long-term debt in 2005. If this occurs, the funds committed for debt repayment recorded in current assets on the balance sheet, in excess of any amounts used to repay debt, will become cash and cash equivalents and available for general purposes.

Subsequent to June 30, 2005, the Company was in the process of replacing the revolving loans denominated in Canadian dollars with a five-year non-revolving term loan also denominated in Canadian dollars.

RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2005 and 2004

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

(Information as at June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004 is unaudited)

5. Share capital:

(a) Shares issued:

Common shares issued and outstanding
are as follows:

Issued and outstanding, December 31, 2004	34,262,300
Issued for cash, pursuant to stock options exercised	125,000
Issued and outstanding, June 30, 2005	34,387,300

The Company's common shares were split on a two-for-one basis on May 4, 2004. All share, per share and stock option information in the consolidated financial statements gives effect to the stock split on a retroactive basis.

(b) Stock option plan:

Stock option activity for the six months ended June 30, 2005 is as follows:

	Common Shares Under Option		Weighted Average Exercise Price
Outstanding, December 31, 2004	808,998	\$	18.38
Granted	201,800		32.41
Exercised	(125,000)		18.81
Expired	(9,900)		32.41
Outstanding, June 30, 2005	875,898	\$	21.39
Exercisable, June 30, 2005	673,998	\$	18.34

The options outstanding at June 30, 2005 expire on dates ranging to February 23, 2015.

The following is a summary of stock options outstanding and exercisable at June 30, 2005:

Options Outstanding	Options Exercisable
Weighted Average	Weighted Average

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Range of Exercise Prices	Number Outstanding	Remaining Life (years)	Exercise Price	Number Exercisable	Exercise Price
\$11.675 - \$13.050	188,700	6.1	\$ 12.33	180,700	\$ 12.33
\$13.344 - \$15.525	254,198	6.7	14.97	254,198	14.97
\$26.460 - \$32.410	433,000	9.1	29.10	239,100	26.46
	875,898			673,998	

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RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to Consolidated Financial Statements

Six months ended June 30, 2005 and 2004

(Tabular dollar amounts expressed in th