RITCHIE BROS AUCTIONEERS INC
Form 6-K
November 01, 2011

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 September 30, 2011

Commission File Number: 001-13425
Ritchie Bros. Auctioneers Incorporated
9500 Glenlyon Parkway
Burnaby, BC, Canada
V5J 0C6
(778) 331 5500
(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F
Form 20-F o Form 40-F þ
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): o
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): o
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 o No þ
If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__________

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements do not include all information and footnotes required by International Financial Reporting Standards as issued by the IASB (IFRS), for a complete set of annual financial statements. However, in the opinion of management, all adjustments (which consist only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the relevant periods have been made. Results for the interim periods are not necessarily indicative of the results to be expected for the year or any other period. These financial statements should be read in conjunction with the summary of accounting policies and the notes to the consolidated financial statements included in the Company s Annual Report on Form 40-F for the fiscal year ended December 31, 2010, a copy of which has been filed with the U.S. Securities and Exchange Commission. These policies have been applied on a consistent basis with the exception of the changes as a result of the transition to IFRS, as disclosed in note 13 to these statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED
Condensed Consolidated Income Statements
(Expressed in thousands of United States dollars, except share and per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Auction revenues	$ 79,709	$ 82,229	$ 282,696	$ 269,073
Direct expenses (note 4)	10,299	9,680	34,513	34,833
	69,410	72,549	248,183	234,240
Selling, general and administrative expenses (note 4)	60,591	54,626	183,259	161,411
Earnings from operations	8,819	17,923	64,924	72,829
Other income (expense):				
Foreign exchange gain	1,280	161	706	299
Gain (loss) on disposition of property, plant and equipment	119	(140)	3,762	1,091
Other	703	590	2,722	903
	2,102	611	7,190	2,293
Finance income (costs):				
Finance income	471	222	1,757	1,451
Finance costs	(1,389)	(1,396)	(4,301)	(3,696)
	(918)	(1,174)	(2,544)	(2,245)
Earnings before income taxes	10,003	17,360	69,570	72,877
Income tax expense (recovery) (note 5):				
Current	812	4,058	13,248	19,315
Deferred	2,658	(73)	6,456	1,426
	3,470	3,985	19,704	20,741
Net earnings	$ 6,533	$ 13,375	$ 49,866	$ 52,136

Net earnings per share (note 6):				
Basic	$ 0.06	$ 0.13	$ 0.47	$ 0.49
Diluted	$ 0.06	$ 0.13	$ 0.47	$ 0.49
Weighted average number of shares outstanding:				
Basic	106,325,701	105,485,763	106,103,116	105,492,613
Diluted	106,899,423	105,915,148	106,998,500	106,125,754

See accompanying notes to condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on October 28, 2011

/s/ Beverley A Briscoe

Beverley A Briscoe
Director

/s/ Peter J Blake

Peter J Blake
Chief Executive Officer

RITCHIE BROS. AUCTIONEERS INCORPORATED
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of United States dollars)
(Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net earnings	$ 6,533	$ 13,375	$ 49,866	$ 52,136
Other comprehensive income (loss):				
Foreign currency translation adjustment	(22,550)	22,042	(5,710)	2,055
Total comprehensive income (loss)	$ (16,017)	$ 35,417	$ 44,156	$ 54,191

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED
Condensed Consolidated Balance Sheets
(Expressed in thousands of United States dollars)
(Unaudited)

	September 30, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 178,869	$ 68,185	$ 122,596
Trade and other receivables	116,279	59,818	51,963
Inventory	31,426	26,533	6,640
Advances against auction contracts	8,809	2,379	4,574
Prepaid expenses and deposits	10,748	10,565	8,131
Assets held for sale		421	3,675
Current portion of loan receivable	110	105	100
Current other assets	51	37	165
Income taxes receivable	11,328	14,635	3,824
	357,620	182,678	201,668
Property, plant and equipment (note 7)	633,267	618,984	590,108
Investment property (note 8)	7,781	8,246	7,837
Loan receivable	4,944	5,026	5,131
Other non-current assets	8,328	6,227	5,666
Goodwill	45,611	46,254	45,593
Deferred tax assets	1,243	5,143	3,485
	$ 1,058,794	$ 872,558	$ 859,488
Liabilities and Shareholders Equity			
Current liabilities:			
Auction proceeds payable	$ 186,872	$ 46,463	$ 74,726
Trade and other payables	80,964	87,685	88,402
Income taxes payable	1,736	1,900	
Current borrowings (note 9)	29,757	1,087	19,326
	299,329	137,135	182,454
Non-current borrowings (note 9)	131,430	135,886	116,137
Other non-current liabilities	4,212	1,659	1,254
Deferred tax liabilities	22,735	18,011	13,565
	457,706	292,691	313,410

Shareholders equity:						
Share capital (note 10)		115,693		103,978		99,980
Additional paid-in capital		20,671		21,101		18,239
Retained earnings		465,914		450,268		427,859
Foreign currency translation reserve		(1,190)		4,520		
		601,088		579,867		546,078
	$	1,058,794	$	872,558	$	859,488

Contingencies (note 12)

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED
Condensed Consolidated Statements of Changes in Equity
(Expressed in thousands of United States dollars, except share amounts)
(Unaudited)

	Share Capital Number of Shares	Share Capital Amount	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Shareholders Equity
Balance, January 1, 2010	105,378,620	$ 99,980	$ 18,239	$ 427,859	$	$ 546,078
Total comprehensive income						
Net earnings				52,136		52,136
Foreign currency translation adjustment					2,055	2,055
				52,136	2,055	54,191
Exercise of stock options	210,116	3,028	(536)			2,492
Share based compensation tax adjustment			(493)			(493)
Share based compensation expense (note 11(b))			2,454			2,454
Cash dividends paid				(32,178)		(32,178)
Balance, September 30, 2010	105,588,736	103,008	19,664	447,817	2,055	572,544
Total comprehensive income						
Net earnings				13,539		13,539
Foreign currency translation adjustment					2,465	2,465
				13,539	2,465	16,004
Exercise of stock options	59,299	970	(183)			787
Share based compensation tax adjustment			442			442
Share based compensation expense			1,178			1,178
Cash dividends paid				(11,088)		(11,088)

Balance, December 31, 2010	105,648,035	103,978	21,101	450,268	4,520	579,867
Total comprehensive income						
Net earnings				49,866		49,866
Foreign currency translation adjustment					(5,710)	(5,710)
				49,866	(5,710)	44,156
Exercise of stock options	690,704	11,715	(2,228)			9,487
Share based compensation tax adjustment			(1,106)			(1,106)
Share based compensation expense (note 11(b))			2,904			2,904
Cash dividends paid				(34,220)		(34,220)
Balance, September 30, 2011	106,338,739	$ 115,693	$ 20,671	$ 465,914	$ (1,190)	$ 601,088

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED
Condensed Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Cash provided by (used in):				
Operating activities:				
Net earnings	$ 6,533	$ 13,375	$ 49,866	$ 52,136
Items before changes in non-cash working capital:				
Depreciation	10,949	11,277	32,054	26,824
Share based compensation expense	961	899	2,904	2,454
Deferred income tax expense (recovery)	2,658	(73)	6,456	1,426
Foreign exchange gain	(1,280)	(161)	(706)	(299)
Net loss (gain) on disposition of property, plant and equipment	(119)	140	(3,762)	(1,091)
Changes in non-cash working capital:				
Trade and other receivables	26,125	(89,355)	(58,854)	(123,571)
Inventory	7,335	(10,754)	(5,085)	(14,182)
Advances against auction contracts	(5,963)	3,923	(6,518)	761
Prepaid expenses and deposits	(1,473)	76	(260)	(2,035)
Income taxes receivable	(1,629)	1,224	3,307	(5,282)
Income taxes payable	2,423	3,198	7,442	21,849
Auction proceeds payable	(40,879)	72,823	147,347	178,757
Trade and other payables	(3,566)	14,746	(789)	(2,236)
Other	3,734	(81)	2,574	(365)
Interest paid	(1,557)	(1,952)	(4,749)	(5,642)
Income taxes paid	(1,832)	(3,685)	(7,631)	(19,152)
Net cash generated by operating activities	2,420	15,620	163,596	110,352
Investing activities:				
Property, plant and equipment additions	(18,735)	(10,284)	(55,923)	(46,185)
Proceeds on disposition of property, plant and equipment	789	1,626	9,010	7,594
Decrease (Increase) in other assets	138	(87)	(2,036)	(872)
Net cash used in investing activities	(17,808)	(8,745)	(48,949)	(39,463)
Financing activities:				
Issuance of share capital	390	417	9,487	2,492
Dividends on common shares	(11,962)	(11,085)	(34,220)	(32,178)
Issuance of short-term borrowings	2,000	28,912	56,171	30,765

Repayment of short-term borrowings	(1,521)	(1,810)	(27,521)	(6,707)
Issuance of long-term borrowings		15,000		15,000
Repayment of long-term borrowings	(33)	(14,436)	(33)	(14,436)
Other	(2,374)	220	(632)	326
Net cash generated by (used in) financing activities	(13,500)	17,218	3,252	(4,738)
Effect of changes in foreign currency rates on cash and cash equivalents	(12,343)	9,620	(7,215)	2,647
Increase (decrease) in cash and cash equivalents	(41,231)	33,713	110,684	68,798
Cash and cash equivalents, beginning of period	220,100	157,681	68,185	122,596
Cash and cash equivalents, end of period	$ 178,869	$ 191,394	$ 178,869	$ 191,394

See accompanying notes to condensed consolidated interim financial statements.

RITCHIE BROS. AUCTIONEERS INCORPORATED
Notes to Condensed Consolidated Interim Financial Statements
Three and nine months ended September 30, 2011 and 2010
(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)
(Unaudited)

1. General information:

Ritchie Bros. Auctioneers Incorporated and its subsidiaries (collectively referred to as the Company) sell used and unused industrial equipment and other assets for the construction, transportation, material handling, mining, forestry, petroleum, agricultural and other industries at its unreserved auctions worldwide.

Ritchie Bros. Auctioneers Incorporated is a company incorporated in Canada whose shares are publicly traded on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE). It was amalgamated in December 1997 under the Canada Business Corporations Act. The address of its registered office is located at 1300 777 Dunsmuir Street, Vancouver, British Columbia, Canada.

2. Select significant accounting policies:

(a) Basis of preparation:

These condensed consolidated interim financial statements including comparatives present the consolidated income statements, statements of comprehensive income (loss), balance sheets, statements of changes in equity and statements of cash flows of the Company. The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for cash flows and the financial instrument valued at fair value through profit and loss that is measured at fair value. A summary of the principal accounting policies is set out below.

(b) Statement of compliance:

The condensed consolidated interim financial statements of the Company have been prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board incorporating Interpretations issued by the IFRS Interpretations Committee (IFRICs), and complying with the Canada Business Corporations Act 1997. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 consolidated annual financial statements. These accounting policies are based on the IFRS and IFRICs that the Company expects to be applicable at that time. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The disclosures concerning the transition from pre-changeover Canadian Generally Accepted Accounting Principles (previous GAAP) to IFRS are included in the First-time adoption of IFRS note (note 13). In preparing these condensed consolidated interim financial statements, management has amended certain accounting methods formerly applied in the previous GAAP financial statements to comply with IFRS. The comparative figures for 2010 have been restated to reflect these adjustments.

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(c) Basis of consolidation:

(i) Subsidiaries:

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

Subsidiaries are all those entities which the Company controls, i.e. has the power to govern the financial and operating policies, generally accompanying an equity holding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Company.

Inter-entity transactions, balances and unrealized gains on transactions between entities within the consolidated company are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The Company s accounting policies are applied consistently throughout the organization.

(ii) Ultimate parent entity

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

(d) Revenue recognition:

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

Auction commissions represent the percentage earned by the Company on the gross proceeds from equipment and other assets sold at auction. The majority of auction commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned 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 held at the period end to be sold after the period end is known at the financial statement reporting date, the loss is accrued in the financial statements for that period. The Company s exposure from these guarantee contracts fluctuates over time (see contingencies note 12).

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Auction revenues also include auction fees and net profit on the sale of inventory items. In some cases the Company temporarily acquires title to items for a short time prior to a particular auction sale; the revenue recorded is the net gain or loss on the sale of the items.

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

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

(e) Foreign currency translation:

The parent entity s presentation and functional currency is the United States dollar. The functional currency for each of the parent entity s subsidiaries is the currency of the primary economic environment, which is usually the currency of the country of residency. Accordingly, the financial statements of the Company s subsidiaries that are not denominated in United States dollars have been translated into United States dollars using the exchange rate at the end of each reporting period for asset and liability amounts and the monthly average exchange rate for amounts included in the determination of earnings. Any gains or losses from the translation of asset and liability amounts are included in foreign currency translation reserve in other comprehensive income, which is included as a separate component of shareholders equity.

In preparing the financial statements of the individual subsidiaries, transactions in currencies other than the entity s functional currency are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(f) Cash and cash equivalents:

Cash and cash equivalents is comprised of cash on hand, deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less when acquired, that are readily convertible to known amounts of cash.

(g) Inventory:

Inventory is represented by goods held for auction and has been valued at the lower of cost, determined by the specific identification method, and net realizable value.

(h) Financial instruments:

(i) Recognition of financial instruments:

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

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the short term or if so designated by management and meets the criteria to designate at fair value. The policy of management is to designate a financial asset as held for trading if the possibility exists that it will be sold in the short term and the asset is subject to frequent changes in fair value.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in the income statement. The net gain or loss recognized in the income statement incorporates any dividends or interest earned on the financial asset.

Assets in this category are classified as current assets on the balance sheet. For all periods presented, the assets included in this category are cash and cash equivalents.

(iii) Loans and receivables:

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

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

(iv) Effective interest method:

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

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

(v) Impairment of financial assets:

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

a. Significant financial difficulty of the issuer or counterparty;
b. Default or delinquency in interest or principal payments; or
c. It becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

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

(vi) Financial liabilities:

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

(i) Property, plant and equipment:

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes all expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing items and restoring the site on which they are located (if applicable) and capitalized interest on qualifying assets. Subsequent costs are included in the asset s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

RITCHIE BROS. AUCTIONEERS INCORPORATED
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(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)
(Unaudited)

When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated over their respective lives. Depreciation is provided to charge the cost of the assets to operations over their estimated useful lives based on their usage as follows:

Asset	Basis	Rate/term
Land improvements	declining balance	10%
Buildings	straight-line	30 years
Computer software	straight-line	3 - 5 years
Yard equipment	declining balance	20-30%
Automotive equipment	declining balance	30%
Computer equipment	straight-line	3 - 5 years
Office equipment	declining balance	20%
Leasehold improvements	straight-line	Terms of leases

No depreciation is provided on freehold land or on assets in the course of construction or development.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Where assets are to be taken out of use, an impairment charge is levied. Where assets useful lives are shortened, an estimate is made of their new lives and an accelerated depreciation charge is levied.

At the end of each reporting period, the Company reviews the carrying amounts of property, plant and equipment to determine whether depreciation policies and useful lives remain appropriate and also if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. CGUs are identified as the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of the CGU is determined as the higher of fair value less costs to sell and value in use. The value in use is calculated by applying a pre-tax discounted cash flow modeling to management s projection of future cash flows and any impairment is determined by comparing the carrying value with the value in use. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

RITCHIE BROS. AUCTIONEERS INCORPORATED
Notes to Condensed Consolidated Interim Financial Statements
Three and nine months ended September 30, 2011 and 2010
(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)
(Unaudited)

Legal obligations to retire and constructive obligations to restore property, plant and equipment and assets under operating leases are recorded at management s best estimate in the period in which they are incurred, if a reasonable estimate can be made, with a corresponding increase in asset carrying value. The liability is accreted to face value over the remaining estimated useful life of the asset. The Company does not have any significant asset retirement obligations.

(j) Goodwill:

Goodwill represents non-identifiable intangible assets acquired on business combinations. Goodwill is not amortized and is tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The impairment test compares the carrying amount of the goodwill against its implied fair value. To the extent that the carrying amount of goodwill exceeds its fair value, an impairment loss is charged against profit or loss.

(k) Investment property:

The Company s investment property is held for capital appreciation, not for sale in the ordinary course of business or for administrative purposes, and is carried at cost.

(l) Non-current assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at carrying amount in accordance with the Company s accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss.

(m) Share-based payments:

The Company has a stock-based compensation plan, which is described in the share based payment note. The Company uses a fair value method to account for employee share-based compensation; cost attributable to options granted to employees is measured at the fair value of the underlying option at the grant date using the Black-Scholes option pricing model. Details regarding this determination are described in note 11. Compensation expense is recognized over the period in which the service conditions are fulfilled with a corresponding increase to equity, ending on the date the employees become fully entitled to the award. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

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(n) Taxes:

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

(i) Current tax:

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

(ii) Deferred tax:

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period:

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

(o) Net earnings per share:

Net earnings per share has been calculated based on the weighted average number of common _____shares outstanding. Diluted net earnings per share has been calculated after giving effect to outstanding dilutive options calculated by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for all dilutive shares.

(p) New and amended accounting standards:

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

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

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

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

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3. Critical accounting estimates and judgments:

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company s accounting policies and assumptions. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are depreciation methods; valuation of at risk business contracts including inventory held at the period end and commitments under guarantee; valuation and recognition of income taxes; and the calculation of share based payments.

4. Expenses by nature:

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

Direct Expenses

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Employee compensation expense	$ 4,331	$ 3,913	$ 12,602	$ 12,591
Travel, advertising and promotion	4,396	4,023	13,789	15,213
Other direct expenses	1,572	1,744	8,122	7,029
	$ 10,299	$ 9,680	$ 34,513	$ 34,833

Selling, general and administrative expenses

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Employee compensation expense	$ 29,951	$ 26,647	$ 95,494	$ 82,583
Buildings & facilities	10,066	8,991	29,069	28,076
Travel, advertising and promotion	4,073	3,698	11,722	10,392
Other general and administrative expenses	5,552	4,013	14,920	13,536
	$ 49,642	$ 43,349	$ 151,205	$ 134,587
Depreciation	10,949	11,277	32,054	26,824
	$ 60,591	$ 54,626	$ 183,259	$ 161,411

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5. Income taxes:

Income tax expense is recognized based on management s best estimate of the annual income tax rate expected by jurisdiction for the full financial year applied to the pre-tax income of the interim period. The Company s consolidated effective tax rate in respect of operations for the nine months ended September 30, 2011 was 28.3% (2010: 28.5%). The effective tax rate remained consistent due to the following offsetting factors:

A greater proportion of earnings in the period ended September 30, 2011 were subject to tax in jurisdictions with lower tax rates;

A gain on disposition of PP&E was recorded which is subject to a relatively lower rate of tax; and

A change in the amount of tax assets recognized which increased our tax expense.

6. Earnings per share:

	Three months ended September 30, 2011			Nine months ended September 30, 2011		
	Net earnings	Shares	Per share amount	Net earnings	Shares	Per share amount
Basic net earnings per share	$ 6,533	106,325,701	$ 0.06	$ 49,866	106,103,116	$ 0.47
Effect of dilutive securities:						
Stock options		573,722			895,384	
Diluted net earnings per share	$ 6,533	106,899,423	$ 0.06	$ 49,866	106,998,500	$ 0.47

	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Net earnings	Shares	Per share amount	Net earnings	Shares	Per share amount
Basic net earnings per share	$ 13,375	105,485,763	$ 0.13	$ 52,136	105,492,613	$ 0.49
Effect of dilutive securities:						
Stock options		429,385			633,141	
Diluted net earnings per share	$ 13,375	105,915,148	$ 0.13	$ 52,136	106,125,754	$ 0.49

For the nine months ended September 30, 2011, stock options to purchase 487,650 common shares were outstanding but were excluded from the calculation of diluted earnings per share as they were anti-dilutive (2010:

1,034,563).

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7. Property, plant and equipment:

	Land and improvements	Buildings	Land, buildings and leasehold improvements under development	Yard and automotive equipment	Computer software and equipment	Computer software and equipment under development	Office equipment	Leasehold improvements	Total
Cost:									
Balance, January 1, 2010	$ 286,297	$ 232,160	$ 57,367	$ 49,069	$ 44,184	$ 14,084	$ 17,275	$ 4,396	$ 704,832
Additions	51	109	44,810	7,116	843	11,067	540	1,066	65,602
Disposals	(544)	(2,812)		(5,160)	(4,229)		(727)		(13,472)
Transfers from property under development to completed assets	47,285	24,059	(84,518)	2,842	23,836	(23,836)	2,848	7,484	
Reclassified as held for sale	(436)	(87)							(523)
Foreign exchange movement	5,617	4,662	(2,356)	663	2,874	473	372	(12)	12,293
Balance, December 31, 2010	$ 338,270	$ 258,091	$ 15,303	$ 54,530	$ 67,508	$ 1,788	$ 20,308	$ 12,934	$ 768,732
Additions	443	1,086	40,202	6,143	2,033	7,542	170	92	57,711
Disposals	(2,418)	(98)		(4,633)	(14)		(115)	(16)	(7,294)
Transfers from property under development to completed assets	3,010	(43)	(3,378)	263	3,924	(3,924)	25	123	
Foreign exchange movement	(1,686)	(4,273)	(768)	(694)	(3,177)	(1,925)	(216)	271	(12,468)

Balance, September 30, 2011	$ 337,619	$ 254,763	$ 51,359	$ 55,609	$ 70,274	$ 3,481	$ 20,172	$ 13,404	$ 806,681

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7. Property, plant and equipment (continued):

	Land and improvements	Buildings	Land, buildings and leasehold improvements under development	Yard and automotive equipment	Computer software and equipment	Computer software and equipment under development	Office equipment	Leasehold improvements	Total
Accumulated depreciation:									
Balance, January 1, 2010	$ (19,684)	$ (40,882)	$	$ (21,756)	$ (22,853)	$	$ (6,998)	$ (2,551)	$ (114,724)
Depreciation for the year	(5,109)	(8,866)		(7,835)	(12,556)		(2,603)	(844)	(37,813)
Disposals	117	1,579		3,240	(313)		694		5,317
Reclassified as held for sale	71	33							104
Foreign exchange movement	13	(661)		(297)	(1,599)		(94)	6	(2,632)
Balance, December 31, 2010	$ (24,592)	$ (48,797)	$	$ (26,648)	$ (37,321)	$	$ (9,001)	$ (3,389)	$ (149,748)
Depreciation for the period	(5,613)	(6,888)		(5,761)	(10,939)		(1,799)	(1,054)	(32,054)
Disposals		22		2,959	639		38		3,658
Foreign exchange movement	418	893		575	2,479		276	89	4,730
Balance, September 30, 2011	$ (29,787)	$ (54,770)	$	$ (28,875)	$ (45,142)	$	$ (10,486)	$ (4,354)	$ (173,414)
Net carrying amount:									

As at January 1, 2010	$ 266,613	$ 191,278	$ 57,367	$ 27,313	$ 21,331	$ 14,084	$ 10,277	$ 1,845	$ 590,108
As at December 31, 2010	$ 313,678	$ 209,294	$ 15,303	$ 27,882	$ 30,187	$ 1,788	$ 11,307	$ 9,545	$ 618,984
As at September 30, 2011	$ 307,832	$ 199,993	$ 51,359	$ 26,734	$ 25,132	$ 3,481	$ 9,686	$ 9,050	$ 633,267

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7. Property, plant and equipment (continued):

During the nine months, interest of $796,000 (2010: $1,767,000) was capitalized to the cost of buildings under development.

8. Investment property:

	September 30, 2011	December 31, 2010	January 1, 2010
Investment Property	$ 7,781	$ 8,246	$ 7,837

Investment property held at the balance sheet date is comprised of land and site improvements which are non-depreciating asset categories. The fair value of investment property as at January 1, 2010 was approximately $36 million; there was no significant change in real estate prices in the geographies where investment property is held for the period from January 1, 2010 to September 30, 2011. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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9. Borrowings:

	September 30, 2011	December 31, 2010	January 1, 2010
Current Borrowings	$ 29,757	$ 1,087	$ 19,326
Non-Current Borrowings:			
Term loan, denominated in Canadian dollars, unsecured, bearing interest at 6.385%, due in quarterly installments of interest only, with full amount of the principal due in 2016.	$ 57,016	$ 59,977	$ 56,889
Term loan, denominated in United States dollars, unsecured, bearing interest at 5.61%, due in quarterly installments of interest only, with the full amount of the principal due in 2011.		29,998	29,966
Revolving loan, denominated in Canadian dollars, unsecured, bearing interest at Canadian bankers acceptance rate plus a margin between 0.65% and 1.00%, due in monthly installments of interest only. The revolving credit facility is available until 2014.	29,414	30,911	29,282
Term loan, denominated in United States dollars, unsecured, bearing interest at a base rate of 1.65% plus a margin between 0.65% and 1.00%, due in quarterly installments of interest only, with the full amount of the principal due in 2013.	15,000	15,000	
Term loan, denominated in United States dollars, unsecured, bearing interest at a base rate of 1.16% plus a margin between 0.65% and 1.00%, due in quarterly installments of interest only, with the full amount of the principal due in 2013.	30,000		
Total Non-current borrowings	$ 131,430	$ 135,886	$ 116,137
Total Borrowings	$ 161,187	$ 136,973	$ 135,463

Current borrowings at September 30, 2011 are comprised of drawings in different currencies on the Company s committed revolving credit facility. These have a weighted average interest rate of 3.10% at the end of this reporting period.

10. Share capital:

(a) Authorized:

Unlimited number of common shares, without par value.
Unlimited number of senior preferred shares, without par value, issuable in series.

Unlimited number of junior preferred shares, without par value, issuable in series.

(b) Issued:

All issued shares are fully paid. No preferred shares have been issued.

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11. Share-based payment:

(a) Stock options:

Stock option activity for the nine months ended September 30, 2011 and the year ended December 31, 2010 is presented below:

	Common Shares Under Option	Weighted Average Exercise Price
Outstanding, January 1, 2010	2,922,587	$ 15.13
Granted	591,704	21.79
Exercised	(269,415)	12.17
Forfeited	(10,100)	24.39
Outstanding, December 31, 2010	3,234,776	16.57
Granted	517,460	25.73
Exercised	(690,704)	13.74
Forfeited	(5,763)	22.92
Outstanding, September 30, 2011	3,055,769	$ 18.75
Exercisable as at September 30, 2011	2,127,695	$ 17.14
Exercisable as at December 31, 2010	2,256,031	$ 15.55

The stock options outstanding at September 30, 2011 expire on dates ranging to September 8, 2021.

The following is a summary of stock options outstanding and exercisable at September 30, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$3.89 $4.35	22,800	0.4	$ 4.35	22,800	$ 4.35
$5.18	90,724	1.3	5.18	90,724	5.18
$8.82 $10.80	207,781	2.9	9.85	207,781	9.85
$14.23 $14.70	961,635	6.7	14.54	765,361	14.56
$18.67 $19.23	328,241	5.5	18.68	328,241	18.68
$21.66 $23.11	559,777	8.5	21.87	315,627	21.82
$24.39 $25.91	884,811	8.1	25.24	397,161	24.41
	3,055,769			2,127,695	

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(b) Share-based compensation:

During the nine months ended September 30, 2011, the Company recognized compensation cost of $2,904,000 (2010: $2,454,000) in respect of options granted under its stock option plan. This amount was calculated in accordance with the fair value method of accounting.

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:

	2011	2010
Risk free interest rate	2.5%	2.7%
Expected dividend yield	1.64%	1.84%
Expected lives of options	5 years	5 years
Expected volatility	34.9%	34.4%

The weighted average grant date fair value of options granted during the nine months ended September 30, 2011 was $7.69 per option (2010: $6.40). The fair value method requires that this amount be amortized over the relevant vesting periods of the underlying options.

12. Contingencies:

(a) Legal and other claims:

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 the Company s balance sheet or income statement.

(b) Guarantee contracts:

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 September 30, 2011, total outstanding guarantees under contract were $40,855,000 for industrial equipment, all of which were due to be sold prior to the end of the fourth quarter of 2011 (December 31, 2010: $7,860,000 to be sold prior to the end of the second quarter of 2011). The Company also had guarantees under contract totalling $18,940,000 relating to agricultural auctions, all of which were due to be sold prior to the end of the second quarter of 2012 (December 31, 2010: $21,008,000 to be sold prior to the end of the second quarter of 2011). The outstanding guarantee amounts are undiscounted and before estimated proceeds from sale at auction.

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13. First-time adoption of IFRS:

These consolidated financial statements are prepared in accordance with IFRS. The significant accounting policies in note 2 have been applied in preparing these condensed consolidated interim financial statements. This includes the comparative information for the periods ended September 30, 2010, December 31, 2010, and the preparation of an opening IFRS balance sheet on the date of transition to IFRS (Transition Date), January 1, 2010.

The guidance for first-time adoption of IFRS is set out in IFRS 1 *First-time Adoption of IFRS*. IFRS 1 requires that the standards are applied retrospectively at the Transition Date with all adjustment to assets and liabilities taken to retained earnings, unless certain exemptions are applied. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3 *Business Combinations* prospectively from the Transition Date;
- to apply the requirements of IFRS 2 *Share Based Payments* only to equity instruments granted after November 7, 2002 which had not vested as of the Transition date; and
- to transfer all foreign currency translation differences recognized as a separate component of equity to retained earnings as at the Transition Date.

IFRS 1 also outlines specific guidelines where a first-time adopter must not apply the standards retrospectively. The Company has complied with these mandatory exceptions from retrospective application.

In preparing the opening IFRS balance sheet and comparative information for the three and nine months ended September 30, 2010, and the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company s financial position, financial performance and cash flows is set out in the following tables and discussion.

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Reconciliation of net earnings

	Three months ended September 30, 2010			
	Canadian GAAP	Effect of Transition to IFRS	Notes	IFRS
Auction revenues	$ 82,229			$ 82,229
Direct expenses	9,680			9,680
	72,549			72,549
Selling, general & administrative expenses	54,505	121	(e)	54,626
Earnings from operations	18,044	(121)		17,923
Other income (expense):				
Foreign exchange gain	161			161
Loss on disposition of property, plant and equipment	(140)			(140)
Other	590			590
	611			611
Finance income (costs):				
Finance income	222			222
Finance costs	(1,396)			(1,396)
	(1,174)			(1,174)
Earnings before income taxes	17,481	(121)		17,360
Income tax expense (recovery):				
Current	4,058			4,058
Deferred	(55)	(18)	(d),(e)	(73)
	4,003	(18)		3,985
Net earnings	$ 13,478	$ (103)		$ 13,375

Net earnings per share:				
Basic	$	0.13	$	0.13
Diluted	$	0.13	$	0.13

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Reconciliation of net earnings

	Nine months ended September 30, 2010			
	Canadian GAAP	Effect of Transition to IFRS	Notes	IFRS
Auction revenues	$ 269,073			$ 269,073
Direct expenses	34,833			34,833
	234,240			234,240
Selling, general & administrative expenses	161,043	368	(e)	161,411
Earnings from operations	73,197	(368)		72,829
Other income:				
Foreign exchange gain	299			299
Gain on disposition of property, plant and equipment	1,091			1,091
Other	903			903
	2,293			2,293
Finance income (costs):				
Finance income	1,451			1,451
Finance costs	(3,696)			(3,696)
	(2,245)			(2,245)
Earnings before income taxes	73,245	(368)		72,877
Income tax expense (recovery):				
Current	19,315			19,315
Deferred	1,534	(108)	(d),(e)	1,426
	20,849	(108)		20,741

Net earnings	$ 52,396	$	(260)	$ 52,136
Net earnings per share:				
Basic	$ 0.50			$ 0.49
Diluted	$ 0.49			$ 0.49

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Reconciliation of net earnings

	Twelve months ended December 31, 2010			
	Previous GAAP	Effect of Transition to IFRS	Notes	IFRS
Auction revenues	$ 357,369			$ 357,369
Direct expenses	47,021			47,021
	310,348			310,348
Selling, general and administrative expenses	218,345	488	(e)	218,833
Earnings from operations	92,003	(488)		91,515
Other income (expense):				
Foreign exchange loss	(49)			(49)
Gain on disposition of property, plant and equipment	250			250
Other	1,823			1,823
	2,024			2,024
Finance income (costs):				
Finance income	2,035			2,035
Finance costs	(5,216)			(5,216)
	(3,181)			(3,181)
Earnings before income taxes	90,846	(488)		90,358
Income tax expense (recovery):				
Current	21,992			21,992
Deferred	2,941	(250)	(d),(e)	2,691
	24,933	(250)		24,683
Net earnings	$ 65,913	$ (238)		$ 65,675

Net earnings per share:		
Basic	$ 0.62	$ 0.62
Diluted	$ 0.62	$ 0.62

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Reconciliations of comprehensive income

	Three months ended September 30, 2010			
	Previous GAAP	**Effect of transition to IFRS**	**Notes**	**IFRS**
Net earnings	$ 13,478	$ (103)		$ 13,375
Other comprehensive income:				
Foreign currency translation adjustment	22,042			22,042
Total comprehensive income	$ 35,520	$ (103)		$ 35,417

	Nine months ended September 30, 2010			
	Previous GAAP	**Effect of transition to IFRS**	**Notes**	**IFRS**
Net earnings	$ 52,396	$ (260)		$ 52,136
Other comprehensive income:				
Foreign currency translation adjustment	2,055			2,055
Total comprehensive income	$ 54,451	$ (260)		$ 54,191

	Twelve months ended December 31, 2010			
	Previous GAAP	**Effect of transition to IFRS**	**Notes**	**IFRS**
Net earnings	$ 65,913	$ (238)		$ 65,675
Other comprehensive income:				
Foreign currency translation adjustment	4,520			4,520

Total comprehensive income	$ 70,433	$ (238)		$ 70,195

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(Unaudited)

Reconciliation of balance sheet

	January 1, 2010			
	Previous GAAP	Effect of Transition to IFRS	Notes	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 122,596			$ 122,596
Trade and other receivables	51,963			51,963
Inventory	6,640			6,640
Advances against auction contracts	4,574			4,574
Prepaid expenses and deposits	8,131			8,131
Assets held for sale		3,675	(a)	3,675
Current portion of loan receivable		100	(g)	100
Current other assets	265	(100)	(g)	165
Income taxes receivable	3,824			3,824
Deferred tax asset	714	(714)	(b)	
	198,707	2,961		201,668
Property, plant and equipment	597,945	(7,837)	(c)	590,108
Investment property		7,837	(c)	7,837
Loan receivable		5,131	(g)	5,131
Other non-current assets	14,472	(8,806)	(a), (g)	5,666
Goodwill	45,593			45,593
Deferred tax assets	1,104	2,381	(b) (d)	3,485
	$ 857,821	$ 1,667		$ 859,488
Liabilities and Shareholders Equity				
Current liabilities:				
Auction proceeds payable	$ 74,726			$ 74,726
Trade and other payables	88,402			88,402
Current borrowings	5,069	14,257	(h)	19,326
	168,197	14,257		182,454
Non-current borrowings	130,394	(14,257)	(h)	116,137
Other non-current liabilities	1,254			1,254

Deferred tax liabilities		13,565					13,565
		313,410					313,410
Shareholders equity:							
Share capital		99,980					99,980
Additional paid-in capital		16,146		2,093	(d), (e)		18,239
Retained earnings		411,326		16,533	(e), (f)		427,859
Foreign currency translation reserve		16,959		(16,959)	(f)		
		544,411		1,667			546,078
	$	857,821	$	1,667		$	859,488

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RITCHIE BROS. AUCTIONEERS INCORPORATED
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(Unaudited)

Reconciliation of balance sheet

	December 31, 2010			
	Previous GAAP	Effect of Transition to IFRS	Notes	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 68,185			$ 68,185
Trade and other receivables	59,818			59,818
Inventory	26,533			26,533
Advances against auction contracts	2,379			2,379
Prepaid expenses and deposits	10,565			10,565
Assets held for sale		421	(a)	421
Current portion of loan receivable		105	(g)	105
Current other assets	142	(105)	(g)	37
Income taxes receivable	14,635			14,635
Deferred tax asset	211	(211)	(b)	
	182,468	210		182,678
Property, plant and equipment	627,230	(8,246)	(c)	618,984
Investment property		8,246	(c)	8,246
Loan receivable		5,026	(g)	5,026
Other non-current assets	11,674	(5,447)	(a), (g)	6,227
Goodwill	46,254			46,254
Deferred tax assets	3,192	1,951	(b), (d), (e)	5,143
	$ 870,818	$ 1,740		$ 872,558
Liabilities and Shareholders Equity				
Current liabilities:				
Auction proceeds payable	$ 46,463			$ 46,463
Trade and other payables	87,685			87,685
Income taxes payable	1,900			1,900
Current borrowings	1,087			1,087
	137,135			137,135
Non-current borrowings	135,886			135,886

Other non-current liabilities	1,659			1,659
Deferred tax liabilities	18,011			18,011
	292,691			292,691
Shareholders equity:				
Share capital	103,978			103,978
Additional paid-in capital	18,697	2,404	(d), (e)	21,101
Retained earnings	433,973	16,295	(d), (e), (f)	450,268
Foreign currency translation reserve	21,479	(16,959)	(f)	4,520
	578,127	1,740		579,867
	$ 870,818	$ 1,740		$ 872,558

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(Unaudited)

Reconciliation of balance sheet

	September 30, 2010			
	Previous GAAP	Effect of Transition to IFRS	Notes	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 191,394			$ 191,394
Trade and other receivables	175,998			175,998
Inventory	21,257			21,257
Advances against auction contracts	3,889			3,889
Prepaid expenses and deposits	10,288			10,288
Current portion of loan receivable		103	(g)	103
Current other assets		(103)	(g)	(103)
Income taxes receivable	9,173			9,173
Deferred tax asset	110	(110)	(b)	
	412,109	(110)		411,999
Property, plant and equipment	619,604	(8,037)	(c)	611,567
Investment property		8,037	(c)	8,037
Loan receivable		5,053	(g)	5,053
Other non-current assets	11,770	(5,053)	(g)	6,717
Goodwill	45,862			45,862
Deferred tax assets	2,803	1,060	(b) (d)	3,863
	$ 1,092,148	$ 950		$ 1,093,098
Liabilities and Shareholders Equity				
Current liabilities:				
Auction proceeds payable	$ 257,224			$ 257,224
Trade and other payables	80,374			80,374
Income taxes payable	2,639			2,639
Current borrowings	29,269			29,269
	369,506			369,506
Non-current borrowings	133,102			133,102
Other non-current liabilities	1,877			1,877

Deferred tax liabilities	16,069			16,069
	520,554			520,554
Shareholders equity:				
Share capital	103,008			103,008
Additional paid-in capital	18,028	1,636	(d),(e)	19,664
Retained earnings	431,544	16,273	(d), (e), (f)	447,817
Foreign currency translation reserve	19,014	(16,959)	(f)	2,055
	571,594	950		572,544
	$ 1,092,148	$ 950		$ 1,093,098

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Material adjustments to the Statements of Cash Flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the presentation of the statement of cash flows as a result of the transition to IFRS have resulted in reclassifications of various amounts, however as there have been no changes to the net operating, financing or investing cash flows, no reconciliations have been presented.

Notes to the IFRS reconciliations above:

(a) Reclassification of assets held for sale

As at January 1, 2010 and December 31, 2010, the Company held assets whose carrying amount would be recovered principally through a sale transaction, rather than through continuing use, and therefore met the criteria as held for sale . These are reclassified to current assets under IFRS.

(b) Deferred tax classification

Under previous GAAP, deferred tax assets and liabilities are classified as current or non-current as appropriate. IFRS does not allow the classification of a current portion of deferred tax, and therefore these amounts have been reclassified as non-current.

(c) Investment property

The Company owns certain properties that were classified as property, plant and equipment under previous GAAP and meet the definition of an investment property under IAS 40 *Investment Property*. This standard requires that the carrying value of these assets be disclosed separately on the face of the balance sheet; therefore, these amounts have been reclassified on transition to IFRS. The Company has chosen to continue to account for these assets using the cost method.

(d) Deferred tax on share-based payment

The Company issues share purchase options to employees who are resident in certain tax jurisdictions where the cost of granting this instrument can be deductible for tax purposes when exercised. IAS 12 requires the re-measurement of these options to reflect the value of the deduction based on the market price of the shares at each reporting date, and an adjustment to the deferred tax asset created when the award was issued. Previous GAAP required the measurement of the deferred tax asset to be recognized based on grant date fair value of the options. In revaluing the share purchase options vested but not exercised at the balance sheet date, an adjustment to increase deferred tax assets and additional paid-in capital has been recorded.

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(e) Share based payments

Under previous GAAP, the Company recognized stock based compensation expense of awards that vest in multiple installments as if it were a single award. IFRS requires that each installment of option awards be treated as a separate option grant, because each installment has a different vesting period.

Therefore the fair value of each installment is amortized over each installment s vesting period, with an impact of decreasing net earnings. The cumulative impact is an increase in additional paid-in capital, a decrease in retained earnings and an increase to the deferred tax asset for options that are tax deductible upon exercise.

(f) Cumulative translation differences

On transition to IFRS, the Company has chosen to apply the election in IFRS 1 regarding IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that existed at the date of transition to IFRS. This eliminates the cumulative translation difference and adjusts retained earnings by the same amount at the Transition Date.

(g) Reclassification of financial assets

Within other non-current assets the Company previously included a note receivable balance on a promissory note due from a third party entity. As this is a financial asset which was included in a line with non-financial assets, this has been reclassified for separate presentation under IFRS.

(h) Reclassification of non-current borrowings

Borrowings held at the period end which are due to be settled within twelve months of the balance sheet date are classified as current. Under previous GAAP, such obligations are classified as non-current when contractual arrangements have been made for settlement by a means other than current assets. However under IFRS they are only classified at non-current when the refinancing is with the same lender under same or similar terms.

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 nine-month periods ended September 30, 2011 compared to the three and nine-month periods ended September 30, 2010. This discussion should be read in conjunction with our unaudited condensed consolidated interim financial statements and notes thereto for the three and nine-month periods ended September 30, 2011 and 2010, 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, 2010, which are included in our 2010 Annual Report on Form 40-F.

The date of this discussion is as of October 28, 2011. Additional information relating to our Company, including our Annual Information Form, is available by accessing the SEDAR website at www.sedar.com. None of the information on the SEDAR website is incorporated by reference into this document by this or any other reference.

Amounts discussed below are presented in U.S. dollars and are based on our unaudited condensed consolidated interim financial statements prepared in accordance with International Financial Reporting Standards, or IFRS. We also disclose in this document financial results dating from before our transition to IFRS; these are identified by the title previous GAAP. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars, except per share amounts.

Ritchie Bros. is the world s largest auctioneer of industrial equipment, selling more equipment to on-site and online bidders than any other company in the world. Our world headquarters are located in Vancouver, British Columbia, Canada, and as of the date of this discussion, we operated from over 110 locations in more than 25 countries, including 43 auction sites worldwide. Our purpose is to create compelling business solutions that enable the world s builders to easily and confidently exchange equipment. We sell, through unreserved public auctions, a broad range of used and unused industrial assets, including equipment, trucks and other assets used in the construction, transportation, agricultural, material handling, mining, forestry, petroleum and marine industries.

We operate mainly in the auction segment of the global industrial equipment marketplace. Our primary target markets within that marketplace are the used equipment and truck sectors, which are large and fragmented. The world market for used equipment and trucks is driven by the cumulative supply of used equipment and trucks, which is affected by the ongoing production of new equipment and trucks and the motivation of equipment owners to realign and replace their fleets. Industry analysts estimate that the world-wide value of used equipment and truck transactions, of the type of equipment we sell at our auctions, is greater than $100 billion per year on average. Although we sell more used equipment than any other company in the world, we estimate that our share of this fragmented market is in the low to mid single digit range.

Typically, between 70-80% of the value of the items sold at our auctions is purchased by end users of equipment and trucks (retail buyers), such as contractors, with the remainder being purchased primarily by equipment and truck dealers, rental companies and brokers (wholesale buyers). Consignors to our auctions represent a broad mix of equipment owners, the majority being end users of equipment, with the balance being finance companies, truck and equipment dealers and equipment rental companies, among others. 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, other third parties, and equipment rental companies that offer an alternative to purchasing. When sourcing equipment to sell at our auctions, we compete with other auction companies, other third parties, and equipment owners that have traditionally disposed of equipment through private sales. Private sales between equipment owners are the dominant form of transaction in the used truck and equipment sectors.

We have several key strengths that we believe provide distinct competitive advantages and that we believe make our auctions more appealing to both buyers and sellers of industrial assets and will enable us to grow. Some of our principal strengths include:

- The power of our brand, which is supported by our reputation for conducting only unreserved auctions and our widely recognized commitment to honesty, integrity and fair dealing.
- Our ability to transcend local market conditions and create a global marketplace for industrial assets by attracting diverse audiences of mainly end-user bidders from around the world to our auctions.
- Our size, financial strength and access to capital, the international scope of our operations, our extensive network of auction sites, and our marketing skills.
- Our ability to respond to market changes with innovative solutions to enhance our live auctions with technology, such as our online bidding service, proprietary Virtual Ramp, Timed Auction system, and 21 language website, to meet the evolving needs of our customers.
- Our in-depth experience in the marketplace, including our ability to gather and leverage equipment valuation expertise and proprietary customer and equipment databases.
- Our dedicated and experienced workforce, which allows us to, among other things, enter new geographic markets, structure deals to meet our customers needs, provide high quality and consistent service to consignors and bidders and operate an international network of auction sites that creates value for our customers.

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 bids 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 or 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 an efficient, effective and fair way to exchange equipment.

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 diverse multinational, mainly end user 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 approximately 60% of the value of equipment sold at our auctions left the region of the sale (which we define as the state or province of sale for American, Canadian and Australian auctions, or the country for sales occurring in other geographies).

We believe that our ability to consistently draw significant numbers of local and international bidders from many different end markets to our auctions, most of whom are end users rather than resellers, is appealing to sellers of used equipment and trucks and helps us to attract consignments to our auctions. Higher consignment volumes attract more bidders, which in turn attract more consignments, and so on, in a self-reinforcing process that has helped us to achieve a history of significant growth and momentum in our business.

Following global economic turmoil in 2009 and 2010, the used equipment market started returning to a more balanced state in the first half of 2011, particularly in the U.S., with equipment owners demonstrating what we considered more typical buying and selling behaviour. However, during the third quarter, market conditions became more challenging due to economic uncertainty and the sudden erosion of confidence, particularly in the US market, impacting our customers buying and selling behaviour in the period. This may impact their behaviour in the fourth quarter of 2011.

The supply of late model used equipment continued to be scarce in the first nine months of 2011, mainly because of the lower production and sale of new equipment over the last two years. Demand for late model equipment remained strong during the first nine months of 2011, in part because of the need of some equipment owners to replace machines that have been aged considerably over the last several years, as well as the long lead times for the purchase of many categories of new equipment. These factors contributed to increased used equipment prices at our auctions during the first nine months of 2011 compared to 2010, which in turn contributed to growth in our gross auction proceeds and also acted as a further catalyst to encourage equipment owners to sell idle assets.

These strong equipment values and a return to more typical buying and selling behaviour by owners of equipment, during the first half of the year, resulted in an improved mix of equipment at our auctions, which also contributed to growth in our gross auctions proceeds. Given the improved pricing and lack of supply of late model used equipment, we have witnessed an increase in competition, as traditional participants, such as equipment dealers and brokers, have returned to the market following the challenging environment in 2009 and 2010. This increase in competition contributed to an increase in the volume of our at risk business in the first nine months of 2011 (see below for further discussion).

We believe our operating decisions over the last few years leave us well positioned to continue to grow our share of the used equipment market in the coming years and to meet the needs of our customers. Through these decisions we have created a well developed sales team and an auction site network with considerable capacity, both of which we anticipate will help sustain our growth. We also believe that, over the long term, designing and executing an appropriate growth strategy will continue to be a significant determinant of our ability to grow our earnings, in part because our share of the world market for used equipment and trucks is so small.

Growth Strategy

Our mission is to provide compelling business solutions that enable the world s builders to easily and confidently exchange equipment. Our customers are the people who buy and sell equipment and trucks, including the people who build our homes and offices, schools and community centers, bridges and roads, as well as the people who grow our food and those who support all of these activities, such as finance companies, rental companies, transportation companies and equipment dealers, among others. We are pursuing three strategic pillars, which are designed to help us achieve our mission, as follows.

GROW our core auction business

We believe unreserved public auctions offer significant benefits over other sales channels, including certainty, fairness and transparency. We intend to focus on increasing our market share with our traditional customer groups, while simultaneously doing more business with new customer groups and in new markets. We are undertaking deeper market research to understand more clearly why equipment owners do and do not use our services, and to help us meet the needs of the large number of equipment owners who may not yet be aware of Ritchie Bros.

We believe that most of our near-term growth will come from our established regions, primarily the United States and Western Europe, and that emerging markets such as China, Brazil and other developing countries offer significant potential for growth in the long-term. During the first nine months of 2011 we commenced the process of establishing an entity in China to enable us to conduct auctions in that large, emerging market in the future.

As part of this strategic initiative we are pursuing opportunities to partner with our customers and potential customers by making strategic investments in various entities that we expect will generate equipment consignments to our auctions over the long term.

In addition, we intend to add at least one new auction site to our network each year, as well as replace a number of existing auction sites as necessary to provide capacity for increased consignment volumes. Our auction site network supports our long-term growth and is a critical strategic advantage, which helps us to sustain efficient and scalable growth and give our customers confidence. We also intend to continue to hold offsite auctions in new regions to expand the scope of our operations.

Another key focus of this pillar is to streamline and simplify our auctions, to make them easy for our customers. Many of our new customers have little or no experience buying or selling at unreserved auctions; we want to make the process as easy and customer friendly as possible, so they feel confident on auction day and throughout the whole process.

On July 1, 2011 we introduced our Detailed Equipment Information program, which provides detailed information about equipment being sold in our auctions. We have received positive feedback from our customers and we believe that this information is helping our customers feel more confident, making our auctions more appealing to a broader range of equipment owners.

To address the cost of this and other buyer-focused initiatives launched in recent periods, we simplified and expanded our fee structure effective July 1, 2011. We eliminated certain fees, including our internet purchase fee, and expanded the scope of our administrative fee that we charge to buyers.

ADD new business and information solutions

Technology and innovation have played key roles in our business in the past, allowing us to enhance our auctions and broaden their appeal to more equipment owners. We will continue to investigate new services to meet the needs of equipment owners that are not being met by our unreserved auctions, and harness the latest technology to supplement and enhance our auction services.

The third quarter of 2011 was our first full quarter operating Ritchie Bros. Financial Services, or RBFS, a newly-established entity in which we have a 51% interest. RBFS arranges, through third party lenders, financing options for our customers to purchase equipment at our auctions in the U.S. and Canada. By providing an easy and integrated lending platform, we believe we have made our auctions more accessible to existing and new customers. To date we have partnered with five lenders in the U.S. and seven lenders in Canada, including GE Capital in both countries. We intend to introduce the service in Europe and other markets in 2012.

In addition to our detailed equipment information and equipment finance programs, on July 1, 2011 we launched other valued-added services for our customers in the U.S., Canada and certain other sites around the world. These new services, which include real-time auction results through www.rbauction.com, powertrain service warranties and property and cargo insurance, complement and further enhance the wide range of customer services that we already offer. Our warranty and insurance programs are underwritten by third party partners who specialize in these products. The implementation of these services has been well received by our customers, with many choosing to purchase one or more of these services. The warranty and insurance programs will be made available to customers at our remaining sites in the future.

We also intend to invest in enhanced business intelligence and data analysis tools to improve our understanding of the equipment market, and position Ritchie Bros. as a knowledge and information authority. We intend to continue to enhance our website at www.rbauction.com by making it easier to use, more powerful and more valuable to equipment owners, with the goal of becoming the preferred global equipment website.

PERFORM by building an inspired high-performance, customer-focused Ritchie Bros. team
To maintain our high standards of customer service, we employ people who we believe embody our core values, especially the value of putting our customers first.

Our primary focus areas in the coming years will be improving our sales force productivity and the efficiency of our auction operations, as well as further enhancing employee engagement and management bench strength. We intend to be even more focused on developing future managers and we intend to take steps to improve our ability to attract, develop and retain key players. We are also taking steps to refine sales and operational management roles to better equip our sales force for success. Though we are maintaining our long-term target of increasing our sales force by an average of 5% to 10% per year, we do not plan to achieve this target in 2011 as we focus on increasing the productivity of our existing team.

In July 2011 we announced our updated organizational structure to align better with and support our strategy. The new structure will take effect January 1, 2012. A key component of the new structure will be the Senior Leadership Team, comprised of our Chief Executive Officer and other senior leaders who will report directly to the CEO. This team will be responsible for our strategic direction and will include the newly created positions of Chief Sales Officer and Chief Strategic Development officer, as well as our newly-recruited Senior Vice President of Human Resources (Chief People Officer), President, Vice President of Marketing (Chief Marketing Officer) and Chief Financial Officer.

Another important change to take effect on January 1, 2012 will be the realignment of our sales and operations teams, to allow our sales leaders to focus entirely on the development and productivity of their teams. We will be creating senior operations roles to work closely with our sales leaders to look after all aspects of our operations and administrative activities. We expect this evolution to meet the primary focus areas stated above: improving our sales force productivity and efficiency of our auction operations, as well as further enhancing our employee engagement and management bench strength.

Sources of Revenue and Revenue Recognition

Gross auction proceeds 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 income statement, 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 gross auction proceeds that we do not retain is remitted to our customers who consign the items we sell at our auctions.

Auction revenues are comprised of auction commissions earned from consignors through straight commission and guarantee contracts, net profits or losses on the sale of inventory items, administrative and documentation fees, auction advertising fees, and, up to June 30, 2011, the fees applicable to purchases made through our internet and proxy bidding systems. Effective July 1, 2011 the internet and proxy fees are no longer charged and we have expanded our administrative fee, which continues to be recorded in auction revenues. In addition, the fee revenue related to our insurance, warranty and customer finance programs has been recorded in auction revenues. All auction revenues are 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. Straight commission sales were approximately 65% of our gross auction proceeds in the first nine months of 2011 and 70% for the third quarter of 2011. In recent years they have represented approximately 75-80% of our gross auction proceeds on an annual basis.

In the normal course of business, we sometimes guarantee minimum sales proceeds to a 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 at the next practical auction 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.

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. We purchase equipment for specific auctions and sell it at those auctions 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.

We generally refer to our guarantee and outright purchase business as our at risk, or underwritten, business and we are generally indifferent between a guarantee contract and an inventory contract as they both present a similar level of risk and opportunity. Our customers circumstances, risk tolerance and sale objectives will ultimately determine the final form of the contract. Our at risk business represented approximately 35% of our gross auction proceeds in the first nine months of 2011 and 30% for the third quarter of 2011. In recent years, our at risk business has represented approximately 20% to 25% of our gross auction proceeds on an annual basis; however, this is expected to be higher than the historic range for the year ending December 31, 2011.

Competition for equipment consignments to sell at our auctions has intensified in 2011, and this has resulted in an increase in the relative proportion of our at risk business in the first nine months of 2011. We expect this situation to continue for the remainder of 2011. One of our competitive advantages is our financial strength and access to capital and we have used this strategically in response to the intensified competition in the marketplace. We believe that because we are able to provide greater liquidity and certainty to our customers by providing outright purchase options, this resulted in more inventory contracts during the first nine months of 2011. It also explains the increase in the level of inventory on our recent period end balance sheets.

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 fluctuates from period to period. In addition, the changes to our fee structure that took effect July 1, 2011, as discussed above, had a positive impact on our auction revenue rate in the third quarter.

Our auction revenue rate performance is presented in the table below. Our auction revenue rate for the nine months ended September 30, 2011 was 10.57%. Our past experience has shown that our auction revenue rate is difficult to estimate precisely, and over the past two years our quarterly rate has ranged between 9.96% and 11.84%.

(1) The average auction revenue rate for the first quarter in 2010 excludes the results of the auction of the megayacht Apoise; had these been included the auction revenue rate would have been 10.76%.

(2) The revised administrative fee that took effect on July 1, 2011 resulted in an increase in our auction revenue rate of 140 basis points for the third quarter of 2011.

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

Our auction revenue rate over the past two fiscal years performed above the normal trend, primarily as a result of the strong performance of our at risk business. We believe this strong performance was related in part to the economic environment, which dampened competition for at risk business. Competition increased in the first nine months of 2011 and, as anticipated, the performance of our at risk business was lower than the above trend performance in 2010 and 2009. This caused our auction revenue rate for the first nine months of 2011 to be lower than the comparable period in 2010.

The changes to our fee structure, which took effect July 1, 2011, have had a positive effect on our auction revenue rate of approximately 1.4% during the three months ended September 30, 2011 and we expect that the effect on our 2011 auction revenue rate to be in the range of 0.7%. Going forward we expect the annualized impact of the revised fee structure to be in the range of 1.4%.

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 in which many of our customers participate. 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. This seasonality contributes to quarterly variability in our net earnings because a significant portion of our operating costs is relatively fixed.

Gross auction proceeds and auction revenues are also affected on a period-to-period basis by the timing of major auctions. Also, 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 generally achieved as our operations in a region evolve from conducting intermittent auctions, to establishing a regional auction unit, and ultimately to developing a permanent auction site. Economies of scale are also usually achieved when our auctions increase in size.

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

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 usually lease the land and typically have more modest facilities. 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 take place on the main consignor s farm property. During the first nine months of 2011, 91% of our gross auction proceeds were attributable to auctions held at our permanent auction sites and regional auction units (first nine months of 2010 94%).

During the first nine months of 2011, we had approximately 268,000 bidder registrations at our industrial auctions, compared to approximately 247,000 in the first nine months of 2010. In the first nine months of 2011 we generated almost 30,000 industrial asset consignments compared to nearly 31,000 generated in the same period in 2010. We handled approximately 196,000 industrial lots in the first nine months of 2011 compared to 213,000 lots in the same period in 2010.

During the first nine months of 2011, we conducted 157 unreserved industrial auctions at locations in North and Central America, Europe, the Middle East and Australia (first nine months of 2010 157 auctions). Although our auctions vary in size, our 12 month rolling average industrial auction results were as follows:

Average industrial auction

	Twelve months ended September 30, 2011	Twelve months ended September 30, 2010
Gross auction proceeds	$ 14.5million	$ 14.9million
Registered bidders	1,515	1,500
Consignors	167	189
Lots	1,087	1,300

Average industrial auction results have changed over the past 12 months, as compared to the previous 12 months, as a result of market conditions and the response of our sellers and buyers to this economic environment, as discussed above.

We sold over $770 million of equipment, trucks and other assets to online bidders during the first nine months of 2011, representing a 24% increase compared to the same period in 2010 (nine months ended September 30, 2010 over $620 million) and confirming our position as the world s largest seller of industrial equipment to online buyers.

Our website www.rbauction.com continues to achieve some significant milestones. For the first nine months of 2011 compared to the same period in 2010 (during which the new website was launched) the total number of visitors to the site was up 23%. We had over 3.0 million visitors to the site, making 8.0 million visits, during the nine months ended September 30, 2011 compared to 2.4 million visitors and 7.2 million visits, respectively, in the same period in 2010.

Approximately 51% of our auction revenues in the first nine months of 2011 were earned from operations in the United States (first nine months of 2010 54%), 24% were generated from auctions in Canada (first nine months of 2010 22%) and the remaining 25% were earned from operations in countries other than the United States and Canada, primarily in Europe, the Middle East, Australia, and Mexico (first nine months of 2010 24%). We had 1,262 full-time employees at September 30, 2011, including 303 sales representatives and 14 trainee territory managers, compared to 1,176 full-time employees, 316 sales representatives and 12 trainee territory managers at the same point in 2010.

We are a public company and our common shares are listed under the symbol RBA on the New York and Toronto Stock Exchanges. On October 28, 2011 we had 106,338,739 common shares issued and outstanding and stock options outstanding to purchase a total of 3,055,769 common shares.

Overall Performance

Our gross auction proceeds were $2.7 billion for the nine months ended September 30, 2011, which is an increase of 8% over the first nine months of 2011. The increase is mainly attributable to higher used equipment prices and an improved mix of equipment sold at our auctions compared to the first nine months of 2010.

During the first nine months of 2011, we recorded auction revenues of $282.7 million and net earnings of $49.9 million, or $0.47 per diluted common share. This performance compares to auction revenues of $269.1 million and net earnings of $52.1 million, or $0.49 per diluted share, for the first nine months of 2010. We ended the first nine months of 2011 with working capital of $58.3 million, compared to $45.5 million at December 31, 2010. The increase in our working capital was primarily due to net earnings achieved during the period.

Adjusted net earnings for the nine months ended September 30, 2011 were $46.9 million, or $0.44 per diluted share, compared to adjusted net earnings of $51.4 million, or $0.48 per diluted share for first nine months of 2010. We define adjusted net earnings as financial statement net earnings excluding the after-tax effects of sales of excess properties and significant foreign exchange gains or losses resulting from financing activities that we do not expect to recur on a consistent basis in the future (please see our reconciliation below).

Adjusted net earnings is a non-GAAP measure that does not have a standardized meaning, and is therefore unlikely to be comparable to similar measures presented by other companies. We believe that comparing adjusted net earnings as defined above for different financial periods provides more useful information about the growth or decline of our net earnings for the relevant financial period, and identifies the impact of items which we do not consider to be part of our normal operating results.

Our adjusted net earnings for the nine months ended September 30, 2011 decreased by approximately 9% compared to the same period in 2010. The decrease is primarily a result of higher selling, general and administration expenses partially offset by a lower rate of direct expenses.

A reconciliation of our net earnings to adjusted net earnings is as follows:

	Nine months ended September 30,	
	2011	**2010**
Net earnings	$ 49,866	$ 52,136
Gain on sale of excess property[1]	(3,482)	(1,230)
Tax relating to reconciling items	487	474
Adjusted net earnings	$ 46,871	$ 51,380

(1) During the nine months ended September 30, 2011, we completed the sale of our former Vancouver, British Columbia permanent auction site. During the nine months ended September 30, 2010, we completed the sale of our former Houston, Texas, permanent auction site.

Results of Operations

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

We conduct operations around the world in a number of different currencies, but our reporting currency is the U.S. dollar. In the first nine months of 2011, approximately 40% of our revenues and approximately 60% of our operating costs were denominated in currencies other than the U.S. dollar. The proportion of revenues denominated in currencies other than the U.S. 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 U.S. 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 U.S. dollar. These fluctuations affect our reported auction revenues and operating expenses when non-U.S. dollar amounts are converted into U.S. dollars for financial statement reporting purposes. It is difficult, if not impossible, to quantify how foreign exchange rate movements affect such variables as supply of and demand for the assets we sell. However, excluding these impacts, the effect of foreign exchange fluctuations on our translated auction revenues and operating expenses in our consolidated financial statements has largely offset, making the impact of the currency fluctuation on our net earnings insignificant.

United States Dollar Exchange Rate Comparison

Nine months ended September 30,	**2011**	**2010**	**% Change in U.S. $**
Average value of one U.S. dollar:			
Canadian dollar	$ 0.9780	$ 1.0359	-6%
Euro	0.7115	0.7611	-7%

Auction Revenues

Nine months ended September 30,	**2011**	**2010**	**% Change**
Auction revenues	$ 282,696	$ 269,073	5%
Gross auction proceeds	$ 2,674,491	$ 2,479,205	8%
Auction revenue rate	10.57%	10.85%	

Our auction revenues increased in the first nine months of 2011 compared to the equivalent period in 2010 as a result of higher gross auction proceeds, partially offset by a lower auction revenue rate. During the first nine months of 2011 our gross auction proceeds in local currency, being the U.S., Canadian and Australian dollars and the Euro, increased by 6% compared to the first nine months of 2010.

Our auction revenue rate for the first nine months of 2011 was 10.57%, which was lower than the 10.85% achieved in the first nine months of 2010 primarily as a result of the performance of our at risk business. Our at risk business represented 35% of our total gross auction proceeds in the first nine months of 2011 (first nine months of 2010 22%). The auction revenue rate attributable to our at risk business returned to a more sustainable rate compared to the above trend performance in the first nine months of 2010. Additional revenue from our new fee structure that took effect on July 1, 2011, was approximately $9 million. Excluding this incremental revenue, our auction revenue rate would have been 10.22% for the period.

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 nine months of 2011 would have impacted auction revenues by approximately $2.7 million, of which approximately $2.0 million or $0.02 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 assessing future prospects.

Direct Expenses

Nine months ended September 30,	**2011**	**2010**	**% Change**
Direct expenses	$ 34,513	$ 34,833	-1%
Direct expenses as a percentage of gross auction proceeds	1.29%	1.41%	

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 costs 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, among others.

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. Our direct expense rate was lower in the first nine months of 2011 compared to the equivalent period in 2010 primarily as a result of an increase in the proportion of higher value lots sold at our auctions.

Selling, General and Administrative Expenses (SG&A)

Nine months ended September 30,	**2011**	**2010**	**% Change**
Depreciation	$ 32,054	$ 26,824	19%
Other SG&A expenses	151,205	134,587	12%
Total	$ 183,259	$ 161,411	14%

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 in the first nine months of 2011 increased as a result of new assets that we have put into service in recent periods, such as our new permanent auction sites and our technology investments, including our new website that was launched in April 2010. In addition, in the first nine months of 2010 we reversed depreciation of $2.7 million relating to certain assets on which depreciation was charged that we determined had an indefinite life. Excluding this adjustment, depreciation increased 9% in the first nine months of 2011. We expect our depreciation in future periods to increase in line with our on-going capital expenditures. As our capital expenditure program moderates, we would expect the rate of increase in our depreciation expense to also moderate.

Other SG&A expenses include such expenditures as personnel (salaries, wages, bonuses and benefits), information technology, non-auction related travel, repairs and maintenance, leases and rentals and utilities. Approximately 60% of our other SG&A expenses on an annual basis are personnel costs, such as salaries and benefits.

The increase in our other SG&A for the first nine months of 2011 compared to the first nine months of 2010 was largely a result of incremental costs associated with our strategic initiatives. Other SG&A for the nine months ended September 30, 2011, included approximately $6.0 million related to these initiatives, mostly in personnel costs. Additionally, foreign currency fluctuations resulted in an increase in our other SG&A of approximately $5.4 million in the first nine months of 2011 compared to the first nine months of 2010, in connection with the translation into U.S. dollars of our foreign operations SG&A. Excluding this amount and the incremental costs associated with our strategic initiatives, our other SG&A for the nine months ended September 30, 2011 increased by 5% compared to the same period in 2010.

Foreign Exchange Gain

Nine months ended September 30,	**2011**	**2010**	**% Change**
Foreign exchange gain	$ 706	$ 299	136%

Foreign exchange gains or losses arise when foreign currency denominated monetary items are revalued to the exchange rates in effect at the end of the period. Examples of these items include cash, trade and other receivables and trade and other payables.

Gain on Disposition of Property, Plant & Equipment (PP&E)

Nine months ended September 30,	**2011**	**2010**	**% Change**
Gain on disposition of PP&E	$ 3,762	$ 1,091	245%

The gain on disposition of PP&E in the first nine months of 2011 included a gain on the sale of our former Vancouver, British Columbia, permanent auction site, as well as some small gains on the disposal of other assets. During the comparative period in 2010, we disposed of our former Houston, Texas, permanent auction site, the gain from which was partially offset by losses on other assets.

Finance Income

Nine months ended September 30,	**2011**	**2010**	**% Change**
Finance income	$ 1,757	$ 1,451	21%

Finance income is earned on our excess cash and receivable balances. Our finance income fluctuates from period to period depending on the timing of our receipt of auction proceeds as well as on our cash position, which is affected by the timing, size and number of auctions held during the period.

Finance Costs

Nine months ended September 30,	**2011**	**2010**	**% Change**
Finance costs	$ 4,301	$ 3,696	16%

Finance costs are comprised mainly of interest paid on long-term debt and revolving credit facilities, offset by interest that has been capitalized as a part of self-constructed assets. Finance costs increased in the first nine months of 2011 compared to the same period in 2010 due in part to a lower amount of interest capitalized to projects under development in the first nine months of 2011, offset by lower interest rates on our long-term borrowings.

Income Taxes

Nine months ended September 30,	**2011**	**2010**	**% Change**