DUNKIN' BRANDS GROUP, INC.
Form 10-Q
August 06, 2014
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FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 28, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission file number 001-35258

DUNKIN’ BRANDS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-4145825
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 Royall Street
Canton, Massachusetts 02021
(Address of principal executive offices) (zip code)
(781) 737-3000
(Registrants’ telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller Reporting Company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). YES ¨ NO x

As of August 1, 2014, 104,844,641 shares of common stock of the registrant were outstanding.

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DUNKIN’ BRANDS GROUP, INC. AND SUBSIDIARIES

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Part I. Financial Information

Item 1. Financial Statements

DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

	June 28, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	$176,381	256,933
Accounts receivable, net of allowance for doubtful accounts of $3,068 and $2,599 as of June 28, 2014 and December 28, 2013, respectively	54,979	47,162
Notes and other receivables, net of allowance for doubtful accounts of $1,448 and $659 as of June 28, 2014 and December 28, 2013, respectively	13,579	32,603
Deferred income taxes, net	46,284	46,461
Restricted assets of advertising funds	35,142	31,493
Prepaid income taxes	8,351	25,699
Prepaid expenses and other current assets	21,479	21,409
Total current assets	356,195	461,760
Property and equipment, net of accumulated depreciation of $100,475 and $105,834 as of June 28, 2014 and December 28, 2013, respectively	178,361	182,858
Equity method investments	175,677	170,644
Goodwill	890,362	891,598
Other intangible assets, net of accumulated amortization of $210,745 and $200,248 as of June 28, 2014 and December 28, 2013, respectively	1,439,101	1,452,205
Other assets	64,795	75,625
Total assets	$3,104,491	3,234,690
Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$—	5,000
Capital lease obligations	480	432
Accounts payable	12,535	12,445
Liabilities of advertising funds	41,312	49,077
Deferred income	30,623	28,426
Other current liabilities	186,930	248,918
Total current liabilities	271,880	344,298
Long-term debt, net	1,808,679	1,818,609
Capital lease obligations	7,042	6,996
Unfavorable operating leases acquired	15,752	16,834
Deferred income	13,758	11,135
Deferred income taxes, net	550,541	561,714
Other long-term liabilities	66,614	62,816
Total long-term liabilities	2,462,386	2,478,104
Commitments and contingencies (note 10)		
Redeemable noncontrolling interests	6,044	4,930
Stockholders' equity:		
Preferred stock, $0.001 par value; 25,000,000 shares authorized; no shares issued and outstanding at June 28, 2014 and December 28, 2013, respectively	—	—

Common stock, $0.001 par value; 475,000,000 shares authorized; 106,601,169 issued and 105,601,169 outstanding at June 28, 2014; 106,876,919 shares issued and 106,646,219 shares outstanding at December 28, 2013	106	107
Additional paid-in capital	1,153,690	1,196,426
Treasury stock, at cost	(44,587)	(10,773)
Accumulated deficit	(747,352)	(779,741)
Accumulated other comprehensive income	2,324	1,339
Total stockholders’ equity	364,181	407,358
Total liabilities, redeemable noncontrolling interests, and stockholders’ equity	$3,104,491	3,234,690

See accompanying notes to unaudited consolidated financial statements.

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenues:				
Franchise fees and royalty income	$122,267	112,794	228,979	216,559
Rental income	25,633	25,055	48,080	47,487
Sales of ice cream products	32,044	32,809	60,715	56,389
Sales at company-owned restaurants	4,736	6,240	11,052	12,011
Other revenues	6,228	5,590	14,030	11,900
Total revenues	190,908	182,488	362,856	344,346
Operating costs and expenses:				
Occupancy expenses—franchised restaurants	13,560	12,820	26,572	25,596
Cost of ice cream products	22,995	24,302	42,743	40,288
Company-owned restaurant expenses	4,904	5,940	11,267	11,595
General and administrative expenses, net	56,381	62,978	116,095	118,555
Depreciation	4,930	5,522	9,843	11,370
Amortization of other intangible assets	6,384	6,565	12,789	13,147
Long-lived asset impairment charges	523	107	646	355
Total operating costs and expenses	109,677	118,234	219,955	220,906
Net income of equity method investments	4,048	4,782	7,148	7,869
Other operating income, net	2,278	7,769	6,605	8,955
Operating income	87,557	76,805	156,654	140,264
Other income (expense), net:				
Interest income	69	91	138	205
Interest expense	(16,823)	(19,886)	(34,764)	(40,718)
Loss on debt extinguishment and refinancing transactions	—	—	(13,735)	(5,018)
Other losses, net	(113)	(813)	(86)	(1,203)
Total other expense, net	(16,867)	(20,608)	(48,447)	(46,734)
Income before income taxes	70,690	56,197	108,207	93,530
Provision for income taxes	24,719	15,487	39,408	29,159
Net income including noncontrolling interests	45,971	40,710	68,799	64,371
Net loss attributable to noncontrolling interests	(220)	(102)	(348)	(239)
Net income attributable to Dunkin' Brands	$46,191	40,812	69,147	64,610
Earnings per share:				
Common—basic	$0.44	0.38	0.65	0.61
Common—diluted	0.43	0.38	0.64	0.60
Cash dividends declared per common share	0.23	0.19	0.46	0.38

See accompanying notes to unaudited consolidated financial statements.

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DUNKIN’ BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net income including noncontrolling interests	$45,971	40,710	68,799	64,371
Other comprehensive income (loss), net:				
Effect of foreign currency translation, net of deferred tax expense (benefit) of $(136) and $240 for the three months ended June 28, 2014 and June 29, 2013, respectively, and $177 and $374 for the six months ended June 28, 2014 and June 29, 2013, respectively	2,231	(5,898)	3,522	(16,703)
Unrealized gains (losses) on interest rate swaps, net of deferred tax expense (benefit) of $(1,610) and $5,737 for the three months ended June 28, 2014 and June 29, 2013, respectively, and $(2,067) and $6,299 for the six months ended June 28, 2014 and June 29, 2013, respectively	(2,357)	8,437	(3,058)	9,216
Other, net	(137)	99	521	119
Total other comprehensive income (loss), net	(263)	2,638	985	(7,368)
Comprehensive income including noncontrolling interests	45,708	43,348	69,784	57,003
Comprehensive loss attributable to noncontrolling interests	(220)	(102)	(348)	(239)
Comprehensive income attributable to Dunkin’ Brands	$45,928	43,450	70,132	57,242

See accompanying notes to unaudited consolidated financial statements.

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six months ended	
	June 28, 2014	June 29, 2013
Cash flows from operating activities:		
Net income including noncontrolling interests	$68,799	64,371
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,632	24,517
Amortization of deferred financing costs and original issue discount	2,010	2,473
Loss on debt extinguishment and refinancing transactions	13,735	5,018
Deferred income taxes	(9,303)	(5,812)
Provision for (recovery of) bad debt	839	(186)
Share-based compensation expense	4,926	3,661
Net income of equity method investments	(7,148)	(7,869)
Dividends received from equity method investments	5,825	5,527
Gain on sale of joint venture	—	(6,984)
Gain on sale of real estate and company-owned restaurants	(6,442)	(772)
Other, net	(914)	(651)
Change in operating assets and liabilities:		
Accounts, notes, and other receivables, net	10,650	(4,969)
Other current assets	454	1,012
Accounts payable	(716)	(158)
Other current liabilities	(61,083)	(63,358)
Liabilities of advertising funds, net	(10,938)	(1,043)
Income taxes payable, net	17,522	(5,935)
Deferred income	4,820	(958)
Other, net	4,003	1,673
Net cash provided by operating activities	59,671	9,557
Cash flows from investing activities:		
Additions to property and equipment	(10,556)	(12,507)
Proceeds from sale of real estate and company-owned restaurants	12,761	—
Proceeds from sale of joint venture	—	7,200
Other, net	(1,520)	(1,522)
Net cash provided by (used in) investing activities	685	(6,829)
Cash flows from financing activities:		
Repayment of long-term debt	(15,000)	(19,157)
Payment of deferred financing and other debt-related costs	(8,977)	(6,157)
Dividends paid on common stock	(48,759)	(40,450)
Repurchases of common stock	(81,046)	(16,756)
Exercise of stock options	4,293	4,642
Excess tax benefits from share-based compensation	7,821	—
Other, net	718	(208)
Net cash used in financing activities	(140,950)	(78,086)
Effect of exchange rates on cash and cash equivalents	42	(261)
Decrease in cash and cash equivalents	(80,552)	(75,619)
Cash and cash equivalents, beginning of period	256,933	252,618
Cash and cash equivalents, end of period	$176,381	176,999

Supplemental cash flow information:		
Cash paid for income taxes	$24,068	41,732
Cash paid for interest	32,859	49,804
Noncash investing activities:		
Property and equipment included in accounts payable and other current liabilities	1,622	1,890
Purchase of leaseholds in exchange for capital lease obligations	294	173

See accompanying notes to unaudited consolidated financial statements.

DUNKIN’ BRANDS GROUP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

(1) Description of Business and Organization

Dunkin’ Brands Group, Inc. (“DBGI”), together with its consolidated subsidiaries, is one of the world’s leading franchisors of restaurants serving coffee and baked goods, as well as ice cream, within the quick service restaurant segment of the restaurant industry. We develop, franchise, and license a system of both traditional and nontraditional quick service restaurants and, in limited circumstances, own and operate individual locations. Through our Dunkin’ Donuts brand, we develop and franchise restaurants featuring coffee, donuts, bagels, breakfast sandwiches, and related products. Through our Baskin-Robbins brand, we develop and franchise restaurants featuring ice cream, frozen beverages, and related products. Additionally, we distribute Baskin-Robbins ice cream products to Baskin-Robbins franchisees and licensees in certain international markets.

Throughout these unaudited consolidated financial statements, “Dunkin’ Brands,” “the Company,” “we,” “us,” “our,” and “management” refer to DBGI and its consolidated subsidiaries taken as a whole.

(2) Summary of Significant Accounting Policies

(a) Unaudited Consolidated Financial Statements

The consolidated balance sheet as of June 28, 2014, the consolidated statements of operations and comprehensive income for the three and six months ended June 28, 2014 and June 29, 2013, and the consolidated statements of cash flows for the six months ended June 28, 2014 and June 29, 2013, are unaudited.

The accompanying unaudited consolidated financial statements include the accounts of DBGI and its consolidated subsidiaries and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements. All significant transactions and balances between subsidiaries and affiliates have been eliminated in consolidation. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements in accordance with U.S. GAAP have been recorded. Such adjustments consisted only of normal recurring items. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 28, 2013, included in the Company’s Annual Report on Form 10-K.

(b) Fiscal Year

The Company operates and reports financial information on a 52- or 53-week year on a 13-week quarter basis with the fiscal year ending on the last Saturday in December and fiscal quarters ending on the 13th Saturday of each quarter (or 14th Saturday when applicable with respect to the fourth fiscal quarter). The data periods contained within our three- and six-month periods ended June 28, 2014 and June 29, 2013 reflect the results of operations for the 13-week and 26-week periods ended on those dates. Operating results for the three- and six-month periods ended June 28, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending December 27, 2014.

(c) Fair Value of Financial Instruments

Financial assets and liabilities are categorized, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. Observable market data, when available, is required to be used in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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Financial assets and liabilities measured at fair value on a recurring basis as of June 28, 2014 and December 28, 2013 are summarized as follows (in thousands):

	June 28, 2014			December 28, 2013		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Assets:						
Mutual funds	$—	—	—	1,012	—	1,012
Interest rate swaps	—	5,083	5,083	—	10,221	10,221
Total assets	$—	5,083	5,083	1,012	10,221	11,233
Liabilities:						
Deferred compensation liabilities	$—	7,996	7,996	—	7,181	7,181
Total liabilities	$—	7,996	7,996	—	7,181	7,181

The deferred compensation liabilities primarily relate to the Dunkin' Brands, Inc. Non-Qualified Deferred Compensation Plan ("NQDC Plan"), which allows for pre-tax salary deferrals for certain qualifying individuals. Changes in the fair value of the deferred compensation liabilities are derived using quoted prices in active markets of the asset selections made by the participants. The deferred compensation liabilities are classified within Level 2, as defined under U.S. GAAP, because their inputs are derived principally from observable market data by correlation to hypothetical investments. The Company holds assets, which may include mutual funds, to partially offset the Company's liabilities under certain benefit plans. The changes in the fair value of any mutual funds held are derived using quoted prices in active markets for the specific funds. As such, the mutual funds are classified within Level 1, as defined under U.S. GAAP.

The Company uses readily available market data to value its interest rate swaps, such as interest rate curves and discount factors. Additionally, the fair value of derivatives includes consideration of credit risk in the valuation. The Company uses a potential future exposure model to estimate this credit valuation adjustment ("CVA"). The inputs to the CVA are largely based on observable market data, with the exception of certain assumptions regarding credit worthiness which make the CVA a Level 3 input, as defined under U.S. GAAP. As the magnitude of the CVA is not a significant component of the fair value of the interest rate swaps as of June 28, 2014, it is not considered a significant input and the derivatives are classified as Level 2.

The carrying value and estimated fair value of long-term debt as of June 28, 2014 and December 28, 2013 were as follows (in thousands):

	June 28, 2014		December 28, 2013	
	Carrying Value	Estimated fair value	Carrying Value	Estimated fair value
Financial liabilities				
Term loans	$1,808,679	1,807,405	1,823,609	1,836,212

The estimated fair value of our term loans is estimated based on current bid prices for our term loans. Judgment is required to develop these estimates. As such, our term loans are classified within Level 2, as defined under U.S. GAAP.

(d) Derivative Instruments and Hedging Activities

The Company uses derivative instruments to hedge interest rate risks. These derivative contracts are entered into with financial institutions. The Company does not use derivative instruments for trading purposes and we have procedures in place to monitor and control their use.

We record all derivative instruments on our consolidated balance sheets at fair value. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instruments is reported as other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instrument for a cash flow hedge is recorded in the consolidated statements of operations immediately. Cash flows associated

with the Company's interest rate swap agreements are classified as cash flows from operating activities in the consolidated statements of cash flows which is consistent with the classification of cash flows of the underlying hedged item. See note 5 for a discussion of the Company's use of derivative instruments, management of credit risk inherent in derivative instruments, and fair value information.

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(e) Concentration of Credit Risk

The Company is subject to credit risk through its accounts receivable consisting primarily of amounts due from franchisees and licensees for franchise fees, royalty income, and sales of ice cream products. In addition, we have note and lease receivables from certain of our franchisees and licensees. The financial condition of these franchisees and licensees is largely dependent upon the underlying business trends of our brands and market conditions within the quick service restaurant industry. This concentration of credit risk is mitigated, in part, by the large number of franchisees and licensees of each brand and the short-term nature of the franchise and license fee and lease receivables. At June 28, 2014 and December 28, 2013, one master licensee, including its majority-owned subsidiaries, accounted for approximately 26% and 17%, respectively, of total accounts and notes receivable, which was primarily due to the timing of orders and shipments of ice cream to the master licensee. For the three and six months ended June 28, 2014, one master licensee, including its majority-owned subsidiaries, accounted for approximately 10% and 11% of total revenues, respectively. No individual franchisee or master licensee accounted for more than 10% of total revenues for the three or six months ended June 29, 2013.

(f) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance for revenue recognition related to contracts with customers, except for contracts within the scope of other standards, which supersedes nearly all existing revenue recognition guidance. The new guidance provides a single framework in which revenue is required to be recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. This guidance is effective for the Company in fiscal year 2017 and early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact the adoption of this new standard will have on the Company’s accounting policies, consolidated financial statements, and related disclosures.

In July 2013, the FASB issued new guidance which requires presentation of an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. This guidance was adopted by the Company in fiscal year 2014. The adoption of this guidance did not have any impact on the Company’s consolidated financial statements.

(g) Reclassifications

The Company has revised the presentation of certain income generating transactions that historically were recorded within general and administrative expenses, net in the consolidated statements of operations. Income from these transactions totaling $785 thousand and $2.0 million have been reclassified into other operating income, net, for the three and six months ended June 29, 2013, respectively, in the consolidated statements of operations to conform to the current year presentation. There was no impact to total revenues, operating income, income before income taxes, or net income as a result of these reclassifications.

The Company has also revised the presentation of certain asset captions within the consolidated balance sheets to conform to the current period presentation, including combining 'assets held for sale' with 'prepaid expense and other current assets' and combining 'restricted cash' with 'other assets'. The revisions had no impact on total current assets or total assets.

Additionally, the Company has revised the presentation of certain captions for the six months ended June 29, 2013 within the consolidated statements of cash flows to conform to the current period presentation. The revisions had no impact on net cash provided by operating, provided by or used in investing, or used in financing activities.

(h) Subsequent Events

Subsequent events have been evaluated through the date these consolidated financial statements were filed.

(3) Franchise Fees and Royalty Income

Franchise fees and royalty income consisted of the following (in thousands):

	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Royalty income	$112,732	106,254	211,331	199,476

Initial franchise fees and renewal income	9,535	6,540	17,648	17,083
Total franchise fees and royalty income	$122,267	112,794	228,979	216,559

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The changes in franchised and company-owned points of distribution were as follows:

	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Systemwide Points of Distribution:				
Franchised points of distribution in operation—beginning of period	18,218	17,446	18,122	17,333
Franchised points of distribution—opened	315	300	581	544
Franchised points of distribution—closed	(167)	(149)	(337)	(280)
Net transfers from company-owned points of distribution	10	—	10	—
Franchised points of distribution in operation—end of period	18,376	17,597	18,376	17,597
Company-owned points of distribution—end of period	29	30	29	30
Total systemwide points of distribution—end of period	18,405	17,627	18,405	17,627

During fiscal year 2013, the Company performed an internal review of international franchised points of distribution, and determined that certain franchises opened and closed had not been accurately reported in prior years. As such, the points of distribution information for the three and six months ended June 29, 2013 has been adjusted to reflect the results of this internal review. The adjustments to the prior years were not material, and had no impact on the Company's financial position or results of operations. Franchised points of distribution in operation—beginning of period and franchised points of distribution in operation—end of period were reduced by 91 for the three and six months ended June 29, 2013.

(4) Debt

In February 2014, Dunkin' Brands, Inc. ("DBI"), a subsidiary of DBGI, amended its senior credit facility, resulting in a reduction of interest rates. The senior credit facility now consists of $1.38 billion in term loans due February 2021 ("2021 Term Loans"), $450.0 million in term loans due September 2017 ("2017 Term Loans"), and a $100.0 million revolving credit facility that matures in February 2019.

The 2021 Term Loans bear interest at a rate per annum equal to an applicable margin plus, at our option, either (1) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.5%, (b) the prime rate, (c) LIBOR plus 1.0%, and (d) 1.75% or (2) LIBOR provided that LIBOR shall not be lower than 0.75%. The applicable margin under the term loan facility is 1.50% for loans based upon the base rate and 2.50% for loans based upon LIBOR.

The 2017 Term Loans bear interest at a rate per annum equal to an applicable margin plus, at our option, either (1) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.5%, (b) the prime rate, and (c) LIBOR plus 1.0%, or (2) LIBOR. The applicable margin under the term loan facility is 1.50% for loans based upon the base rate and 2.50% for loans based upon LIBOR.

The effective interest rate for the term loans, including the amortization of original issue discount and deferred financing costs, was 3.5% and 2.8% for the 2021 Term Loans and 2017 Term Loans, respectively, at June 28, 2014.

Subsequent to the amendment, borrowings under the revolving credit facility bear interest at a rate per annum equal to an applicable margin plus, at our option, either (1) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.5%, (b) the prime rate, and (c) LIBOR plus 1.0%, or (2) LIBOR. The applicable margin under the revolving credit facility is 1.25% for loans based upon the base rate and 2.25% for loans based upon LIBOR. In addition, we are required to pay a 0.5% commitment fee per annum on the unused portion of the revolver and a fee for letter of credit amounts outstanding of 2.25%.

In connection with the amendment, certain lenders, holding $684.7 million of term loans, exited the term loan lending syndicate. The principal of the exiting lenders was replaced with additional loans from both existing and new lenders. As a result, during the first quarter of 2014, the Company recorded a loss on debt extinguishment and refinancing transactions of $13.7 million, including $10.5 million related to the write-off of original issuance discount and deferred financing costs and $3.2 million of fees paid to third parties. The amended term loans were issued with an original issue discount of 0.25%, or $4.6 million, which was recorded as a reduction to long-term debt. Total debt issuance costs incurred and capitalized in connection with this amendment were $1.2 million.

In February 2013, the Company amended its senior credit facility, resulting in a reduction of interest rates and an extension of the maturity dates for both the term loans and the revolving credit facility. As a result of the amendment, the Company recorded a loss on debt extinguishment and refinancing transactions of $5.0 million during the first quarter of 2013, including $3.9 million related to the write-off of original issuance discount and deferred financing costs and $1.1 million of fees paid to third

parties. The amended term loans were issued with an original issue discount of 0.25%, or $4.6 million, which was recorded as a reduction to long-term debt.

Principal payments are required to be made on the 2017 Term Loans equal to $4.5 million per calendar year, payable in quarterly installments beginning June 2014 through June 2017. Principal payments are required to be made on the 2021 Term Loans equal to approximately $13.8 million per calendar year, payable in quarterly installments beginning June 2015 through December 2020. The final scheduled principal payments on the outstanding borrowings under the 2017 Term Loans and 2021 Term Loans are due in September 2017 and February 2021, respectively. Additionally, following the end of each fiscal year, the Company is required to prepay an amount equal to 25% of excess cash flow (as defined in the senior credit facility) for such fiscal year. If DBI’s leverage ratio, which is a measure of DBI’s outstanding debt to earnings before interest, taxes, depreciation, and amortization, adjusted for certain items (as specified in the senior credit facility), is no greater than 4.75x, no excess cash flow payments are required. If DBI’s leverage ratio is greater than 5.50x, the Company is required to prepay an amount equal to 50% of excess cash flow. Considering the voluntary prepayments made, no additional principal payments are required in the next twelve months as of June 28, 2014, though the Company may elect to make voluntary prepayments. Other events and transactions, such as certain asset sales and incurrence of debt, may trigger additional mandatory prepayments.

(5) Derivative Instruments and Hedging Transactions

The Company is exposed to global market risks, including the effect of changes in interest rates, and may use derivative instruments to mitigate the impact of these changes. The Company does not use derivatives with a level of complexity or with a risk higher than the exposures to be hedged and does not hold or issue derivatives for trading purposes. The Company’s hedging instruments consist solely of interest rate swaps at June 28, 2014. The Company’s risk management objective and strategy with respect to the interest rate swaps is to limit the Company’s exposure to increased interest rates on its variable rate debt by reducing the potential variability in cash flow requirements relating to interest payments on a portion of its outstanding debt. The Company documents its risk management objective and strategy for undertaking hedging transactions, as well as all relationships between hedging instruments and hedged items.

In September 2012, the Company entered into variable-to-fixed interest rate swap agreements with three counterparties to hedge the risk of increases in cash flows (interest payments) attributable to increases in three-month LIBOR above the designated benchmark interest rate being hedged, through November 2017. Interest is settled quarterly on a net basis with each counterparty. The swaps have been designated as hedging instruments and are classified as cash flow hedges. They are recognized on the Company’s consolidated balance sheets at fair value and classified based on the instruments’ maturity dates. Changes in the fair value measurements of the derivative instruments are reflected as other comprehensive income (loss), or current earnings if there is ineffectiveness of the derivative instruments during the period.

As a result of the February 2014 amendment to the senior credit facility, the Company amended the interest rate swap agreements to align the embedded floors with the amended term loans. As a result of the amendments to the interest rate swap agreements, the Company will be required to make quarterly payments on the notional amount at a fixed average interest rate of approximately 1.22%. In exchange, the Company will receive interest on the notional amount at a variable rate based on three-month LIBOR spot rate, subject to a floor of 0.75%, resulting in a total interest rate of approximately 3.72% on the hedged amount when considering the applicable margin in effect at June 28, 2014. There was no change to the term and the notional amount of the term loan borrowings being hedged of $900.0 million.

As a result of the amendment to the interest rate swaps, the Company does not expect the hedging relationship to have a material amount of ineffectiveness. During the three and six months ended June 28, 2014 and June 29, 2013, there was no ineffectiveness of the interest rate swaps, and therefore, ineffectiveness had no impact on the consolidated statements of operations. As of the date of the amendment, a cumulative unrealized gain of $5.8 million was recorded in accumulated other comprehensive income, which will be amortized on a straight-line basis to interest expense in the consolidated statements of operations through the maturity date.

The fair values of derivatives instruments consisted of the following (in thousands):

	June 28, 2014	December 28, 2013	Consolidated Balance Sheet Classification

Interest rate swaps	$5,083	10,221	Other assets
Total fair values of derivative instruments	$5,083	10,221	

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The tables below summarize the effects of derivative instruments on the consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 28, 2014, and June 29, 2013 (in thousands):

Three months ended June 28, 2014

Derivatives designated as cash flow hedging instruments	Amount of gain (loss) recognized in other comprehensive income (loss)	Amount of net gain (loss) reclassified into earnings[1]	Consolidated statement of operations classification	Total effect on other comprehensive income (loss)
Interest rate swaps	$(5,138)	(1,171)	Interest expense	$(3,967)
Income tax effect	2,090	480	Provision for income taxes	1,610
Net of income taxes	$(3,048)	(691)		$(2,357)

Three months ended June 29, 2013

Derivatives designated as cash flow hedging instruments	Amount of gain (loss) recognized in other comprehensive income (loss)	Amount of net gain (loss) reclassified into earnings	Consolidated statement of operations classification	Total effect on other comprehensive income (loss)
Interest rate swaps	$13,328	(846)	Interest expense	$14,174
Income tax effect	(5,395)	342	Provision for income taxes	(5,737)
Net of income taxes	$7,933	(504)		$8,437

Six months ended June 28, 2014

Derivatives designated as cash flow hedging instruments	Amount of gain (loss) recognized in other comprehensive income (loss)	Amount of net gain (loss) reclassified into earnings[1]	Consolidated statement of operations classification	Total effect on other comprehensive income (loss)
Interest rate swaps	$(7,173)	(2,048)	Interest expense	$(5,125)
Income tax effect	2,893	826	Provision for income taxes	2,067
Net of income taxes	$(4,280)	(1,222)		$(3,058)

Six months ended June 29, 2013

Derivatives designated as cash flow hedging instruments	Amount of gain (loss) recognized in other comprehensive income (loss)	Amount of net gain (loss) reclassified into earnings	Consolidated statement of operations classification	Total effect on other comprehensive income (loss)
Interest rate swaps	$13,823	(1,692)	Interest expense	$15,515
Income tax effect	(5,602)	697	Provision for income taxes	(6,299)
Net of income taxes	$8,221	(995)		$9,216

(1) The total net gain (loss) reclassified from accumulated other comprehensive income into interest expense in the consolidated statements of operations includes the straight-line amortization of the unrealized gain that remained in accumulated other comprehensive income as of the date of the amendment.

As of June 28, 2014 and December 28, 2013, $1.1 million and $836 thousand, respectively, of interest expense related to interest rate swaps is accrued in other current liabilities in the consolidated balance sheets. During the next twelve months, the Company estimates that $4.2 million will be reclassified from accumulated other comprehensive income as an increase to interest expense based on current projections of LIBOR.

The Company is exposed to credit-related losses in the event of non-performance by the counterparties to its hedging instruments. To mitigate counterparty credit risk, the Company only enters into contracts with major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of its counterparties. At June 28, 2014, all of the counterparties to the interest rate swaps had investment grade ratings. To date, all counterparties have performed in accordance with their contractual obligations.

The Company has agreements with each of its derivative counterparties that contain a provision whereby if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. As of June 28, 2014, the Company has not posted any collateral related to these agreements. The Company holds one derivative instrument with each of its derivative

counterparties, each of which is settled net with the respective counterparties in accordance with the swap agreements. There is no offsetting of these financial instruments on the consolidated balance sheets. As of June 28, 2014, the termination value of derivatives is a net asset position of $4.0 million, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements.

(6) Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	June 28, 2014	December 28, 2013
Gift card/certificate liability	$99,386	139,721
Gift card breakage liability	11,551	14,093
Accrued salary and benefits	17,490	26,713
Accrued legal liabilities (see note 10(c))	26,085	26,633
Accrued interest	10,015	9,999
Accrued professional costs	2,942	2,938
Other	19,461	28,821
Total other current liabilities	$186,930	248,918

The decrease in the gift card/certificate liability is driven primarily by the seasonality of our gift card program. The decrease in accrued salary and benefits is primarily due to bonus payments made during the first quarter of 2014 related to fiscal year 2013.

(7) Segment Information

The Company is strategically aligned into two global brands, Dunkin’ Donuts and Baskin-Robbins, which are further segregated between U.S. operations and international operations. As such, the Company has determined that it has four operating segments, which are its reportable segments: Dunkin’ Donuts U.S., Dunkin’ Donuts International, Baskin-Robbins U.S., and Baskin-Robbins International. Dunkin’ Donuts U.S., Baskin-Robbins U.S., and Dunkin’ Donuts International primarily derive their revenues through royalty income, franchise fees, and rental income. Dunkin’ Donuts U.S. also derives revenue through retail sales at company-owned restaurants. Baskin-Robbins U.S. also derives revenue through license fees from a third-party license agreement. Baskin-Robbins International primarily derives its revenues from the sales of ice cream products, as well as royalty income, franchise fees, and license fees. The operating results of each segment are regularly reviewed and evaluated separately by the Company’s senior management, which includes, but is not limited to, the chief executive officer. Senior management primarily evaluates the performance of its segments and allocates resources to them based on operating income adjusted for amortization of intangible assets, long-lived asset impairment charges, and other infrequent or unusual charges, and does not reflect the allocation of any corporate charges. This profitability measure is referred to as segment profit. When senior management reviews a balance sheet, it is at a consolidated level. The accounting policies applicable to each segment are consistent with those used in the consolidated financial statements.

Prior to fiscal year 2014, the segment profit measure used by the Company to assess the performance of and allocate resources to each reportable segment was based on earnings before interest, taxes, depreciation, amortization, impairment charges, loss on debt extinguishment and refinancing transactions, and other gains and losses, and did not reflect the allocation of any corporate charges. Accordingly, the primary change from the historical segment profit measure is the inclusion of depreciation expense. Beginning in fiscal year 2014, the segment profit measure was revised to the adjusted operating income measure described above to better align the segments with our consolidated performance measures and incentive targets. The segment profit amounts presented below for the three and six months ended June 29, 2013 have been adjusted to reflect this change to the measurement of segment profit to ensure comparability.

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Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues. Revenues reported as "Other" include revenue earned through arrangements with third parties in which our brand names are used and revenue generated from online training programs for franchisees that are not allocated to a specific segment. Revenues by segment were as follows (in thousands):

	Revenues			
	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Dunkin' Donuts U.S.	$136,450	128,672	261,669	$248,306
Dunkin' Donuts International	4,521	3,931	8,806	8,554
Baskin-Robbins U.S.	12,952	12,489	22,073	22,101
Baskin-Robbins International	33,631	34,917	63,642	60,345
Total reportable segment revenues	187,554	180,009	356,190	339,306
Other	3,354	2,479	6,666	5,040
Total revenues	$190,908	182,488	362,856	344,346

Expenses included in "Corporate" in the segment profit table below include corporate overhead costs, such as payroll and related benefit costs and professional services. The "Operating income adjustments excluded from reportable segments" amounts for the three and six months ended June 29, 2013 below include the $7.5 million charge related to the third-party product volume guarantee (see note 10(a)). Segment profit by segment was as follows (in thousands):

	Segment profit			
	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Dunkin' Donuts U.S.	$100,981	91,302	190,813	174,857
Dunkin' Donuts International	3,015	1,581	5,872	4,133
Baskin-Robbins U.S.	9,315	7,856	14,183	13,449
Baskin-Robbins International	11,724	19,411	21,223	28,709
Total reportable segments	125,035	120,150	232,091	221,148
Corporate	(30,871)	(28,982)	(62,302)	(59,294)
Interest expense, net	(16,754)	(19,795)	(34,626)	(40,513)
Amortization of other intangible assets	(6,384)	(6,565)	(12,789)	(13,147)
Long-lived asset impairment charges	(523)	(107)	(646)	(355)
Loss on debt extinguishment and refinancing transactions	—	—	(13,735)	(5,018)
Other losses, net	(113)	(813)	(86)	(1,203)
Operating income adjustments excluded from reportable segments	300	(7,691)	300	(8,088)
Income before income taxes	$70,690	56,197	108,207	93,530

Net income of equity method investments is included in segment profit for the Dunkin' Donuts International and Baskin-Robbins International reportable segments. Income included in "Other" in the table below represents the reduction of depreciation and amortization expense reported by BR Korea Co., Ltd. ("BR Korea") as the Company recorded an impairment charge in fiscal year 2011 related to the underlying long-lived assets of BR Korea. Net income of equity method investments by reportable segment was as follows (in thousands):

	Net income of equity method investments			
	Three months ended		Six months ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Dunkin' Donuts International	$672	368	976	254
Baskin-Robbins International	3,019	4,126	5,477	6,664
Total reportable segments	3,691	4,494	6,453	6,918

Other	357	288	695	951
Total net income of equity method investments	$4,048	4,782	$7,148	7,869

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(8) Stockholders' Equity and Redeemable Noncontrolling Interests

The changes in total stockholders' equity and redeemable noncontrolling interests were as follows (in thousands):

	Total stockholders' equity	Redeemable noncontrolling interests
Balance at December 28, 2013	$407,358	4,930
Net income	69,147	(348)
Other comprehensive income	985	—
Dividends paid on common stock	(48,759)	—
Exercise of stock options	4,293	—
Repurchases of common stock	(81,046)	—
Share-based compensation expense	4,926	—
Excess tax benefits from share-based compensation	7,821	—
Contributions from noncontrolling interests	—	1,462
Other, net	(544)	—
Balance at June 28, 2014	$364,181	6,044

(a) Redeemable Noncontrolling Interests

As of June 28, 2014, the consolidated balance sheets included $2.7 million of cash and cash equivalents and $9.1 million of property and equipment, net, for the partnership entity with the noncontrolling owners, which may be used only to settle obligations of the partnership.

(b) Treasury Stock

During the six months ended June 28, 2014, the Company repurchased a total of 1,772,205 shares of common stock at a weighted average price per share of $45.72 from existing stockholders. The Company accounts for treasury stock under the cost method, and as such recorded an increase in common treasury stock of $81.0 million during the six months ended June 28, 2014, based on the fair market value of the shares on the date of repurchase and direct costs incurred. In May 2014, the Company retired 1,002,905 shares of treasury stock, resulting in decreases in treasury stock and additional paid-in capital of $47.2 million and $10.8 million, respectively, and an increase in accumulated deficit of $36.4 million.

(c) Equity Incentive Plans

During the six months ended June 28, 2014, the Company granted options to purchase 1,406,308 shares of common stock and 27,096 restricted stock awards ("RSAs") to certain employees, and 74,299 restricted stock units ("RSUs") to certain employees and members of our board of directors. The stock options generally vest in equal annual amounts over an approximately four-year period subsequent to the grant date, and have a maximum contractual term of seven years. The stock options were granted with an exercise price of $51.67 per share and have a weighted average grant-date fair value of $10.65 per share. The RSUs granted to employees and members of our board of directors vest over a three-year period and a one-year period, respectively, subsequent to the grant date. The RSUs have a weighted average grant-date fair value of $47.72 per share. The RSAs vest in full on July 31, 2016, and have a grant-date fair value of $51.67 per share.

In addition, the Company granted 150,000 performance-based RSAs during the first quarter of fiscal year 2014. These performance-based RSAs are eligible to vest on December 31, 2018, subject to a market vesting condition linked to the level of total shareholder return received by the Company's shareholders during the performance period measured against the median total shareholder return of the companies in the S&P 500 Composite Index. The performance-based RSAs were valued based on a Monte Carlo simulation model to reflect the impact of the total shareholder return market condition, resulting in a grant-date fair value of $37.94 per share.

Total compensation expense related to all share-based awards was $3.1 million and $2.0 million for the three months ended June 28, 2014 and June 29, 2013, respectively, and $4.9 million and $3.7 million for the six months ended June 28, 2014 and June 29, 2013, respectively, and is included in general and administrative expenses, net in the consolidated statements of operations.

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(d) Accumulated Other Comprehensive Income

The changes in the components of accumulated other comprehensive income were as follows (in thousands):

	Effect of foreign currency translation	Unrealized gains (losses) on interest rate swaps	Unrealized gain (loss) on pension plan	Other	Accumulated other comprehensive income
Balance at December 28, 2013	$ 5	6,085	(3,098)	(1,653)	1,339
Other comprehensive income (loss)	3,522	(3,058)	35	486	985
Balance at June 28, 2014	$ 3,527	3,027	(3,063)	(1,167)	2,324

(e) Dividends

The Company paid quarterly dividends of $0.23 per share of common stock on March 19, 2014 and June 4, 2014, totaling approximately $24.5 million and $24.2 million, respectively. On July 24, 2014, we announced that our board of directors approved the next quarterly dividend of $0.23 per share of common stock payable September 3, 2014 to shareholders of record as of the close of business on August 25, 2014.

(9) Earnings per Share

The computation of basic and diluted earnings per common share is as follows (in thousands, except share and per share amounts):

	Three months ended June 28, 2014
Net income attributable to Dunkin' Brands—basic and diluted	$46,191
Weighted average number of common shares:	
Common—basic	105,914,402
Common—diluted	107,186,360
Earnings per common share:	
Common—basic	$0.44

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Notes to the Consolidated Financial Statements

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

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

(k) Property, plant and equipment (continued):

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	
Buildings	Straight-line	15 - 30
Computer software	Straight-line	3 - 5
Yard equipment	Declining balance	20 -
Automotive equipment	Declining balance	
Computer equipment	Straight-line	3 - 5
Office equipment	Declining balance	
Leasehold improvements	Straight-line	term of l

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstanc
indicate that the carrying amount of the asset may not be recoverable. Where assets are to be taken ou
use, an impairment charge is levied. Where assets useful lives are changed, an estimate is made of th
new lives and the depreciation is charged at the new rate.

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 t
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 (i
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. C
identified as the smallest group of assets that includes the asset and generates cash inflows that are lar
independent of the cash inflows from other assets or groups of assets. The recoverable amount of the
is determined as the higher of fair value less costs to sell and value in use. The value in use is calculat
applying a pre-tax discounted cash flow modeling to management s projection of future cash flows a
impairment is determined by comparing the carrying value with the value in use. If the recoverable an
of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset
CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in earning

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

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2. Significant accounting policies (continued):

(l) Investment property:

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

(m) Non-current assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recove 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 disp group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairm loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a rata basis. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in earnings.

(n) Intangible assets:

Intangible assets have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses, except trade names and trademarks as they have indefinite useful live Intangible assets are reviewed for impairment at least annually or when circumstances indicate the car value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated order to determine the extent of the impairment, if any.

Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are as follows

Asset	Basis	Rate / term
Customer relationships	Straight-line	10
Software assets	Straight-line	3 - 5

(o) Goodwill:

Goodwill represents non-identifiable intangible assets acquired on business combinations. Goodwill is 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 allocated to the cash-generating unit (CGU), or the group of CGUs, that is expected to benefit from synergies of the combination. This allocation is subject to an operating segment ceiling test and reflect lowest level at which that goodwill is monitored for internal reporting purposes. The impairment test compares the carrying amount of the CGU to which the goodwill has been allocated against its recove amount. To the extent that the carrying amount of the CGU exceeds its recoverable amount, an impair loss is charged against earnings.

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Years ended December 31, 2013 and 2012

2. Significant accounting policies (continued):

(p) Taxes:
Income tax expense represents the sum of current tax expense and deferred tax expense.

(i) Current tax:
The current tax expense is based on taxable profit for the period and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from earnings before income taxes as repo in the consolidated income statement because it excludes items of income or expense that are taxable deductible in other years and it further excludes items that are never taxable or deductible. The Compa liability for current tax is calculated using tax rates that have been enacted or substantively enacted by 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 recognize 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 whi those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor earnings before income taxes.

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

Deferred tax assets arising from deductible temporary differences associated with such investments an 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 th foreseeable future.

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

Years ended December 31, 2013 and 2012

2. Significant accounting policies (continued):

(p) Taxes (continued):

(ii) Deferred tax (continued):
A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differenc 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 the extent that it is no longer probable that sufficient taxable profits will be available to allow all or pa the asset to be recovered.

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

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

(q) Net earnings per share:
Basic net earnings per share has been calculated by dividing the net earnings for the year attributable t equity holders of the parent by 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 net earnings attributable to equity holders of the parent and the weighted

average number of shares outstanding for all dilutive shares.

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2. Significant accounting policies (continued):

(r) New and amended accounting standards:
The Company has adopted the following new and revised applicable standards, along with consequent amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions. The nature and effect of these changes are disclosed below.

IFRS 10 Consolidated financial statements and IAS 27 Separate financial statements

IFRS 10 replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Fina Statements, and SIC-12 Consolidation Special Purpose Entities. IFRS 10 requires the consolidation investee only if the investor possesses power over the investee, has exposure to variable returns from i involvement with the investee and has the ability to use its power over the investee to affect its returns Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any char in the consolidation status of any of its subsidiaries and investees.

IFRS 11 Joint arrangements and IAS 28 Investments in associates and joint ventures

IFRS 11, supersedes IAS 31 Interest in Joint Ventures, and requires joint arrangements to be classifiec either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 Investments in Associates and Joint Ventu (amended in 2011). The adoption of IFRS 11 did not result in any changes to the Company s account

IFRS 12 Disclosure of interest in other entities

IFRS 12 sets out the requirements for disclosures relating to an entity s interests in subsidiaries, joint arrangements, associates and structured entities. The Company is not party to any significant joint arrangements or unconsolidated structured entities, and does not have subsidiaries with material non-controlling interests or material investments in associates. The Company has made no additional disclosure as a result of IFRS 12.

IFRS 13 Fair value measurement

IFRS 13 provides a single framework for measuring fair value. The measurement of fair value of an as
or liability is based on assumptions that market participants would use when pricing the asset or liabili
under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on
January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to th
valuation techniques used by the Company to measure fair value but has resulted in the addition of rel
note disclosure.

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2. Significant accounting policies (continued):

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

IFRS 7 Financial instruments: disclosures offsetting financial assets and financial liabilities (Amend

The amendment requires an entity to disclose information about rights to set-off financial instruments related arrangements (e.g., collateral arrangements). The disclosures would provide users with informa that is useful in evaluating the effect of netting arrangements on an entity s financial position. The ne disclosures are required for all recognised financial instruments that are subject to an enforceable mast netting arrangement or similar agreement, irrespective of whether the financial instruments are set off accordance with IAS 32. As the Company is not setting off financial instruments in accordance with I 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

IAS 1 Presentation of items of other comprehensive income (Amendment)

The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in an adjustments to the presentation of items of other comprehensive income or comprehensive income.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment clarifies that income taxes arising from distributions to equity holders are accounted f accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements fro IAS 32 and requires entities to apply the requirements in IAS 12 to any existing income tax requireme from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the Company s consolidate financial statements, as there is no tax consequences attached to cash or non-cash distributions.

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2. Significant accounting policies (continued):

(r) New and amended accounting standards (continued):
IAS 36 Impairment of assets (Amendments)

The Company has early adopted the amendments to IAS 36 in the current period and applied them retrospectively. The amendments affect disclosure only and have no impact on the Company s financ position or performance, and have not resulted in added disclosure in the period.

Standards issued and not yet effective

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

In 2011, the IASB issued amendments to IFRS 9, Financial Instruments, Mandatory Effective Date of IFRS 9 and Transition Disclosures to move the effective date of this standard from years beginning on or after January 1, 2013, to a mandatory effective date January 1, 2015. IFRS 9, as issued, reflects the first phase of the IASB s work on the replacement of IAS 39 and applies to classification and measurement of financial assets financial liabilities as defined in IAS 39. The Company is currently evaluating the impac these amendments on its consolidated financial statements

In 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation. Currently, IAS 32 requires that a financial asset and a financial liability shall be offset w an entity currently has a legally enforceable right to offset the recognized amounts. The amendments clarify that rights of offset must not only be legally enforceable in the norm course of business, but must also be enforceable in the event of default of all of the counterparties to the contract, including the reporting entity. The standard is effective fo years beginning on or after January 1, 2014, and is to be applied retrospectively. As the Company is not setting off financial instruments in accordance with IAS 32 and does no have relevant offsetting arrangements, the amendment will not have an impact on the Company.

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

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3. Significant judgements, estimates and assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and th disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Future differences arising between actual results a the judgements, estimates and assumptions made by the Company at the reporting date, or future chan to estimates and assumptions, could necessitate adjustments to the underlying reported amounts of ass liabilities, revenues and expenses in future reporting periods.

Judgements, estimates and underlying assumptions are evaluated on an ongoing basis by management are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Existing circumstances and assumptions about futu developments, however, may change due to market changes or circumstance and such changes are reflected in the assumptions when they occur.

Judgements

Critical management determinations that have a higher degree of judgment and may have the most significant effect on the Company s assets and liabilities, apart from those involving estimates that ar discussed below, include (a) the decision to depreciate and amortize our property, plant, and equipmen and definite-life intangible assets on a straight-line or declining balance basis as the Company believe these methods best reflect the consumption of these resources over their economic lifespan; and (b) th identification of cash-generating units, through the aggregation of assets into groups that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets, that are used performing asset impairment assessments as discussed further in note 18.

Estimates and assumptions

Key assumptions concerning the future and other key sources of estimation uncertainty at the reportin date are presented below:

Depreciation and amortization periods for asset classes are estimated based on the assum life cycle of assets and their future use. The estimated useful lives for asset classes have

disclosed in note 2(k) and note 2(n).

The recoverability of intangible assets with indefinite lives and goodwill are tested periodically for impairment through a comparison of a CGUs recoverable asset value t carrying value. The recoverable values are estimates based on value-in-use calculation u discounted cash flow projections. See note 18 for further discussion of asset valuation ar testing.

The valuation of at-risk auction contracts, including the valuation of inventory held and commitments under guarantee at period end, include assumptions for future market valu determined by the Company using a number of inputs based on its knowledge of the use equipment market. See note 12 for further discussion of inventory carrying value and valuation methodology, and see note 26(b) for more details on outstanding guarantees.

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3. Significant judgments, estimates and assumptions:

Estimates and assumptions (continued)

Income tax assets and liabilities, including the amount of unrecognized tax benefits, are estimates based primarily on the application of tax legislation, regulation and interpretat in multiple jurisdictions in which the Company operates and the amount and timing of fu taxable income. In addition to differences that might arise between actual results and assumed future taxable income, differences may arise in the interpretation of tax regulat by the Company and the responsible tax authority depending on the conditions prevailin the respective domicile of the Company s entities. See note 2(p) for further discussion o Company s policy for recognizing current and deferred tax balances and see note 8 for t composition of these balances.

Stock option expense is measured by reference to the fair value of the options at the date which they are granted. Estimating the fair value of the options at grant date requires management to assume the value of inputs applied in the valuation model, including the expected life of the option, volatility, forfeiture rate and dividend yield. See note 2(e) fo further discussion of valuation model and inputs.

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4. Segmented information:

The Company s principal business activity is the sale of industrial equipment and other assets at aucti
The Company s operations are comprised of two reportable segments as determined by their differing
service delivery model, these are:

- Core Auction segment, a network of auction locations that conduct live, unreserved auctions v
both on-site and online bidding; and

- EquipmentOne segment, a secure online marketplace that facilitates private equipment transactions.

The accounting policies of the segments are similar to those described in the significant accounting policies in note 2. The Company evaluates each segment s performance based on earnings from opera
The significant non-cash item included in segment earnings from operations is depreciation and amortization.

	Core Auction	Equipment One	Combined
Year ended December 31,2013:			
Revenues	$ 453,994	$ 13,409	$ 467,403
Direct expense	(54,008)		(54,008)
Selling, general and administrative expenses, excluding depreciation and amortization	(227,402)	(16,334)	(243,736)
Depreciation and amortization	(41,930)	(1,350)	(43,280)
Earnings (loss) from operations	130,654	(4,275)	126,379
Other, finance and income tax expenses			(31,753)
Net earnings			$ 94,626

Year ended December 31,2012:			
Revenues	$ 428,174	$ 9,781	$ 437,955
Direct expense	(49,687)		(49,687)
Selling, general and administrative expenses, excluding depreciation and amortization	(216,744)	(10,347)	(227,091)
Depreciation and amortization	(40,586)	(552)	(41,138)
Earnings (loss) from operations	121,157	(1,118)	120,039
Other, finance and income tax expenses			(40,493)
Net earnings			$ 79,546

The Company s geographic information as determined by the revenue and location of assets is as foll

	United States	Canada	Europe	Other	Combi
Year ended December 31,2013:					
Revenues	$ 224,214	$ 135,545	$ 65,016	$ 42,628	$ 467,
Non-current assets	401,278	171,689	107,594	77,631	758,
Liabilities	(121,561)	(276,489)	(38,586)	(31,108)	(467,
Year ended December 31,2012:					
Revenues	$ 211,160	$ 124,392	$ 60,572	$ 41,831	$ 437,
Non-current assets	407,078	172,942	106,073	86,303	772,
Liabilities	(150,298)	(272,354)	(33,298)	(20,017)	(475,

Revenue information is based on the locations of the auction and the assets at the time of sale. Non-cu assets consist of property, plant and equipment, investment property, intangible assets and goodwill.

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5. Revenues:

Year ended December 31,	2013	2012
Commissions	$ 374,107	$ 351,017
Fees	93,296	86,938
	$ 467,403	$ 437,955

Net profits on inventory sales included in commission revenue are:

Year ended December 31,	2013	2012
Revenue from inventory sales	$ 634,498	$ 795,397
Cost of inventory sold	(571,993)	(749,160)
	$ 62,505	$ 46,237

6. Expenses by nature:

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

Direct expenses:

Year ended December 31,	2013	2012
Employee compensation expense	$ 20,845	$ 19,209
Travel, advertising and promotion	22,172	19,613
Other direct expenses	10,991	10,865
	$ 54,008	$ 49,687

Selling, general and administrative expenses:

Year ended December 31,	2013	2012
Employee compensation expense	$ 158,448	$ 145,479
Buildings and facilities	40,820	39,312
Travel, advertising and promotion	20,728	18,754
Other selling, general and administrative expenses	23,740	23,546
	$ 243,736	$ 227,091
Depreciation of property, plant and equipment	39,655	39,177
Amortization of intangible assets	3,625	1,961
	$ 287,016	$ 268,229

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6. Expenses by nature (continued):

(a) Employee compensation expense:

Year ended December 31,	2013	2012
Wages, salaries and other benefits	$ 137,705	$ 127,491
Social security costs	10,930	9,906
Pension costs defined contribution plans	3,503	2,883
Share based payment expense	8,267	5,582
Profit-sharing and bonuses	18,888	18,826
	$ 179,293	$ 164,688

(b) Defined contribution plans:

The employees of the Company are members of retirement benefit plans to which the Company match up to a specified percentage of employee contributions or, in certain jurisdictions, contributes a specif percentage of payroll costs as mandated by the local authorities. The only obligation of the Company respect to the retirement benefit plans is to make the specified contributions.

During the year, a total expense of $3,503,000 (2012: $2,883,000) was recognized in earnings, representing Company contributions to these defined contribution plans at rates specified in the terms the plans.

7. Finance income and costs:

The finance income and costs for the Company are disaggregated as follows:

Year ended December 31,	2013	2012
Finance income:		
Interest income on short-term bank deposits	$ 948	$ 781

Other interest income	1,760	1,639
	$ 2,708	$ 2,420
Finance costs:		
Interest on borrowings	$ 7,149	$ 6,570
Other interest expense	285	290
	$ 7,434	$ 6,860

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8. Income taxes:

(a) Income taxes recognized in earnings:

Year ended December 31,	2013	2012
Current tax expense:		
Current period	$ 38,966	$ 29,564
Adjustments recognized in the current year in relation to the current tax of prior years	(2,076)	807
	$ 36,890	$ 30,371
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	$ (3,526)	$ 1,194
Adjustments recognized in the current year in relation to the deferred tax of prior years	2,254	(538)
Change in unrecognized deferred tax assets:		
Deferred income tax assets previously unrecognized used to reduce current tax	(68)	(104)
Deferred income tax assets previously unrecognized used to reduce deferred tax		(847)
Other changes in unrecognized deferred income tax assets	4,579	2,393
	$ 3,239	$ 2,098
Total income tax expense	$ 40,129	$ 32,469

The expense for the year can be reconciled to earnings before income taxes as follows:

Year ended December 31,	2013	2012
Earnings before income taxes	$ 134,755	$ 112,015
Statutory federal and state tax rate in the United States	38.50%	38.50%

Expected income tax expense	$ 51,881	$ 43,126
Non-deductible expenses	3,147	3,184
Change in unrecognized deferred income tax assets	4,512	1,443
Different tax rates of subsidiaries operating in foreign jurisdictions	(20,590)	(19,025)
Other	1,179	3,741
	$ 40,129	$ 32,469

(b) Income tax recognized directly in equity:

Year ended December 31,	2013	2012
Current tax:		
Excess tax deductions related to share-based compensation	$ (19)	$ (175)
Deferred tax:		
Arising on income and expenses taken directly to equity:		
Translation of net investments of foreign operations	218	97
Arising on transactions with equity participants:		
Share-based compensation	(79)	(338)
	$ 120	$ (416)

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8. Income taxes (continued):

(c) Deferred tax balances:

			Recognized in			
As at December 31, 2013	Opening Balance	Net Income	Equity	Acquisitions / Disposals	Other Comprehensive Income	Clos Balar
Working capital	$ 1,423	$ 793	$	$	$ (20)	$ 2,
Property, plant and equipment	(10,013)	(4,749)			374	(14,
Goodwill	(11,180)	(1,057)			62	(12,
Intangible assets	(6,654)	1,863			4	(4,
Unused tax losses	8,785	1,007			(814)	8,
Share-based compensation	776	619	79		(79)	1,
Other	(2,323)	(1,715)			217	(3,
	$ (19,186)	$ (3,239)	$ 79	$	$ (256)	$ (22,

			Recognized in			
As at December 31, 2012	Opening Balance	Net Income	Equity	Acquisitions / Disposals	Other Comprehensive Income	Clos Balar
Working capital	$ 1,087	$ 311	$	$ 17	$ 8	$ 1,
Property, plant and equipment	(12,273)	1,465		1,018	(223)	(10,
Goodwill	(10,081)	(1,076)			(23)	(11,
Intangible assets		(264)		(6,387)	(3)	(6,
Unused tax losses	1,866	(21)		7,239	(299)	8,
Share-based compensation	1,589	(1,151)	338			
Other	(1,340)	(1,362)			379	(2,
	$ (19,152)	$ (2,098)	$ 338	$ 1,887	$ (161)	$ (19,

	Assets	Liabilities	Net

As at December 31,	2013	2012	2013	2012	2013	201
Working capital	$ 2,196	$ 1,423	$	$	$ 2,196	$ 1,
Property, plant and equipment	1,487	682	(15,875)	(10,695)	(14,388)	(10,
Goodwill			(12,175)	(11,180)	(12,175)	(11,
Intangible assets			(4,787)	(6,654)	(4,787)	(6,
Unused tax losses	8,978	8,785			8,978	8,
Share-based compensation	1,395	776			1,395	
Other	3,420	2,766	(7,241)	(5,089)	(3,821)	(2,
Netting of tax assets and liabilities	(16,002)	(13,138)	16,002	13,138		
	$ 1,474	$ 1,294	$ (24,076)	$ (20,480)	$ (22,602)	$ (19,

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8. Income taxes (continued):

(c) Deferred tax balances (continued):

Deferred tax assets have not been recognized at the balance sheet date for the following:

As at December 31,	2013	2012
Tax losses that expire in less than one year	$ 241	$
Between 1 and 2 years	908	226
Between 2 and 3 years	1,158	786
Between 3 and 4 years	656	1,484
5 years and later, including those with no expiry ~	48,772	35,936
Total tax losses and temporary differences	$ 51,735	$ 38,432

~ As at December 31, 2013, balances that do not expire include deductible temporary differences of $11,025,000 (December 31, 2012: $4,501,000).

Earnings retained by subsidiaries and equity-accounted investments amount to approximately $415 mi (2012: $414 million). The Company accrues withholding and other taxes that would become payable o the distribution of these earnings only to the extent that either the Company does not control the releva entity or it is expected that these earnings will be remitted in the foreseeable future.

9. Net earnings per share:

Year ended December 31, 2013	Net earnings	Shares	Per share amount
Basic net earnings per share attributable to equity holders of the parent	$ 93,825	106,768,856	$ 0.88

Effect of dilutive securities:			
Stock options		279,976	(0.01)
Diluted net earnings per share attributable to equity holders of the parent	$ 93,825	107,048,832	$ 0.88

Year ended December 31, 2012	Net earnings	Shares	Per share amount
Basic net earnings per share attributable to equity holders of the parent	$ 79,551	106,469,665	$ 0.75
Effect of dilutive securities:			
Stock options		454,187	(0.01)
Diluted net earnings per share attributable to equity holders of the parent	$ 79,551	106,923,852	$ 0.74

For the year ended December 31, 2013, stock options to purchase 2,921,941 common shares were outstanding but were excluded from the calculation of diluted earnings per share as they were anti-dilu
(2012: 2,108,024).

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10. Fair value measurement:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that i significant to the fair value measurement or disclosure:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset o liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

Fair value measurements as at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Other non-current assets:				
Available-for-sale investments:				
Unquoted preference shares	$	$	$ 2,043	$ 2,043
Total assets, December 31, 2013	$	$	$ 2,043	$ 2,043

The Company s available-for-sale investments are preference shares in non-listed entities. These investments are strategic in nature and represent non-controlling interests of less than 5% in the entitie Fair value is determined through consideration of discounted cash flow models and third party valuati with any change reflected through other comprehensive income.

No fair value measurement change was recognized in the year, nor were there any transfers in or out o fair value hierarchy levels in the year ended December 31, 2013.

Fair values disclosed as at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Investment property	$	$ 36,687	$	$ 36,687
Total assets, December 31, 2013	$	$ 36,687	$	$ 36,687
Liabilities				
Current borrowings	$	$ 34,391	$	$ 34,391
Non-current borrowings		149,454		149,454
Other non-current liabilities:				
Note payable		600		600
Total liabilities, December 31, 2013	$	$ 184,445	$	$ 184,445

The Company uses a variety of valuation techniques and makes assumptions that are based on market conditions existing at each balance sheet date to determined fair value disclosures. The fair value of investment property is determined through third party valuation based on adjusted dollar-per-square-fo realized in recent market transactions for comparable assets. The fair value of borrowings are determi through the calculation of liability present values using market interest rates at period close. Further discussion of fair valuation techniques used for the fair value disclosures above is detailed in note 29(a

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11. Trade and other receivables:

As at December 31,	2013	2012
Trade receivables	$ 60,715	$ 46,385
Consumption taxes receivable	24,180	27,565
Other receivables	978	2,116
	$ 85,873	$ 76,066

Trade receivables are secured by the equipment that they relate to as it is Company policy that equipm
is not released until payment has been collected. Trade receivables are due for settlement within seven
days of the date of sale, after which they are interest bearing. Other receivables are unsecured and non-interest bearing.

As at December 31, 2013, trade receivables of $60,715,000 are more than seven days past due but not
considered impaired (December 31, 2012: $46,385,000). As at December 31, 2013, there are $3,334,0
impaired receivables that have been provided for in the balance sheet because they are over six month
or specific situations where recovering the debt is considered unlikely (December 31, 2012: $2,724,00

Consumption taxes receivable are deemed fully recoverable unless disputed by the relevant tax author
The other classes within trade and other receivables do not contain impaired assets.

12. Inventory:

Every period end inventory is reviewed to ensure that it is recorded at the lower of cost and net realiza
value. As at December 31, 2013, a write-down of $300,000 (December 31, 2012: $160,000) was recor

Of inventory held at December 31, 2013, 90% is expected to be sold prior to the end of March 2014, w
the remainder to be sold by the end of May 2014 (December 31, 2012: 72% sold prior to the end of M
2013, with the remainder sold by December 2013). During the year ended December 31, 2013, invento
was held for an average of approximately 29 days (2012: 29 days).

13. Prepaid expenses and deposits:

As at December 31,	2013	2012
Prepaid expenses	$ 7,424	$ 8,559
Refundable deposits	981	6,322
	$ 8,405	$ 14,881

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14. Assets held for sale:

Balance, December 31, 2011	$
Reclassified from property, plant and equipment	3,127
Impairment loss	(2,172)
Other	3
Balance, December 31, 2012	$ 958
Reclassified from property, plant and equipment	2,839
Disposition of property	(958)
Balance, December 31, 2013	$ 2,839

During the year ended December 31, 2012, the Company recognized an impairment loss on a former permanent auction site in North Carolina, United States. that was subsequently sold in the year ended December 31, 2013. At December 31, 2013, the Company held land and buildings for sale relating to a former permanent auction site in Alberta, Canada.

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15. Property, plant and equipment:

	Land and improvements	Buildings	Yard and automotive equipment	Computer software and equipment	Office equipment	Leasehold improvements	Assets under development	Tot
Cost:								
Balance, December 31, 2011	$ 339,937	$ 256,309	$ 56,003	$ 74,575	$ 20,300	$ 15,179	$ 65,262	$ 827
Acquisitions from business combination				187	113	1	26	
Additions	100	347	10,147	225	718	283	46,887	58
Disposals	(3,293)	(3,592)	(6,694)	(3,304)	(331)	(90)	(28)	(17
Transfers from property under development to completed assets	26,707	24,404	2,203	6,192	1,839	666	(62,011)	
Reclassified as held for sale	(1,518)	(3,105)						(4
Foreign exchange movement	(302)	1,681	723	1,987	263	141	412	4
Balance, December 31, 2012	$ 361,631	$ 276,044	$ 62,382	$ 79,862	$ 22,902	$ 16,180	$ 50,548	$ 869
Additions	111	67	9,544	2,594	357	1,324	24,073	38
Disposals	(1,510)	(216)	(6,483)	(74)	(462)	(59)	(192)	(8
Transfers from property under development	22,344	10,406	1,598	7,235	1,683	4,059	(47,325)	

to completed assets								
Reclassified as held for sale	(2,400)	(708)						(3
Foreign exchange movement	(8,324)	(6,629)	(1,587)	(5,175)	(524)	342	(2,166)	(24
Balance, December 31, 2013	$ 371,852	$ 278,964	$ 65,454	$ 84,442	$ 23,956	$ 21,846	$ 24,938	$ 871

During the year ended December 31, 2013, the cost of additions was reduced by $588,000 in relation t
credits (2012: $1,095,000).

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15. Property, plant and equipment (continued):

	Land and improvements	Buildings	Yard and automotive equipment	Computer software and equipment	Office equipment	Leasehold improvements	Assets under development	To
Accumulated depreciation:								
Balance, December 31, 2011	$ (31,530)	$ (57,363)	$ (29,331)	$ (49,477)	$ (10,959)	$ (4,572)	$	$ (18
Depreciation for the year	(7,136)	(9,703)	(8,212)	(10,218)	(2,241)	(1,667)		(39
Disposals	366	1,748	4,475	3,304	274	57		10
Reclassified as held for sale	150	1,346						
Foreign exchange movement	(621)	(694)	(458)	(1,332)	(64)	(14)		(
Balance, December 31, 2012	$ (38,771)	$ (64,666)	$ (33,526)	$ (57,723)	$ (12,990)	$ (6,196)	$	$ (21
Depreciation for the year	(7,605)	(9,784)	(8,616)	(9,457)	(2,130)	(2,063)		(39
Disposals	743	171	4,295	43	381	46		
Reclassified as held for sale		269						
Foreign exchange movement	386	1,562	891	3,815	237	(130)		
	$ (45,247)	$ (72,448)	$ (36,956)	$ (63,322)	$ (14,502)	$ (8,343)	$	$ (24

Balance, December 31, 2013								
Net carrying amount:								
As at December 31, 2012	$ 322,860	$ 211,378	$ 28,856	$ 22,139	$ 9,912	$ 9,984	$ 50,548	$ 65
As at December 31, 2013	$ 326,605	$ 206,516	$ 28,498	$ 21,120	$ 9,454	$ 13,503	$ 24,938	$ 63

During the year ended December 31, 2013, interest of $878,000 (2012: $1,924,000) was capitalized to cost of assets under development. These interest costs relating to qualifying assets are capitalized at a weighted average rate of 4.82% (2012: 4.97%).

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16. Investment property:

Balance, December 31, 2011	$ 7,890
Disposal	(1,302)
Foreign exchange movement	314
Balance, December 31, 2012	$ 6,902
Foreign exchange movement	(348)
Balance, December 31, 2013	$ 6,554

Investment property held at the balance sheet date is comprised of land and site improvements which a non-depreciated asset categories. The fair value of investment property as at December 31, 2013 was approximately $36 million (December 31, 2012: $36 million).

17. Intangible assets:

	Trade names and trademarks	Customer relationships	Software	Software under development	Tot
Cost:					
Balance, December 31, 2011	$	$	$	$	$
Acquisition from business combination (note 24)	800	19,597	3,572		23,
Additions				3,562	3,
Balance, December 31, 2012	$ 800	$ 19,597	$ 3,572	$ 3,562	$ 27,
Transfers from software under development to completed assets			1,525	(1,525)	
Additions			891	14,771	15,
Balance, December 31, 2013	$ 800	$ 19,597	$ 5,988	$ 16,808	$ 43,

	Trade names and trademarks	Customer relationships	Software	Software under development	Tot
Accumulated amortization:					
Balance, December 31, 2011	$	$	$	$	$
Amortization for the year		(1,258)	(703)		(1,
Balance, December 31, 2012	$	(1,258)	(703)		(1,
Amortization for the year		(2,008)	(1,617)		(3,
Balance, December 31, 2013	$	$ (3,266)	$ (2,320)	$	$ (5,
Net carrying amount:					
As at December 31, 2012	$ 800	$ 18,339	$ 2,869	$ 3,562	$ 25,
As at December 31, 2013	$ 800	$ 16,331	$ 3,668	$ 16,808	$ 37,

During the year ended December 31, 2013, the cost of additions was reduced by $915,000 for recogni of tax credits (2012: $nil).

During the year ended December 31, 2013, interest of $591,000 (2012: $24,000) was capitalized to th of software under development. These interest costs relating to qualifying assets are capitalized at a weighted average rate of 6.39% (2012: 6.39%).

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18. Goodwill:

Balance, December 31, 2011	$ 45,957
Additions (note 24)	37,931
Foreign exchange movement	359
Balance, December 31, 2012	$ 84,247
Foreign exchange movement	(850)
Balance, December 31, 2013	$ 83,397

Impairment testing of goodwill

Goodwill is subject to annual impairment reviews at year-end. Goodwill is attributed to the Company
CGUs and the recoverable amount of each CGU is compared to its carrying amount in order to determ
whether impairment has occurred.

The carrying value of goodwill has been allocated for impairment testing purposes to the following CG

As at December 31,	2013	2012
United States Auction CGU	$ 33,326	$ 33,326
Canada Auction CGU	12,140	12,990
EquipmentOne CGU	37,931	37,931
	$ 83,397	$ 84,247

The recoverable amount of each CGU is determined based on calculating its value in use. This is calculated by applying discounted cash flow modeling to management s own projections for the CGU covering a five year period. Management s five year projections and the key assumptions applied ther have been prepared with consideration to historical results including growth rates, cash flows, and leve ratios; the Company s strategic plans; management s knowledge of the market; and management s v achievable growth in market share over the longer term based on internally prepared and externally sourced market research data. Management applied pre-tax discount rates of 12% for auction CGUs (2 12%) and 13% for the EquipmentOne CGU (2012: 12%), with these rates reflecting different risk

premiums based on assessments of risks related to the respective CGUs projected cash flows. Cash flo
beyond the five year period are extrapolated using a long term growth rate estimated to be 2% (2012:

Key assumptions used in the recoverable value calculations are revenue rates, discount rates, five-year
growth rate projections and growth rates used to extrapolate cash flows beyond the forecast period.
Management has concluded that there are no reasonably possible changes in key assumptions which w
cause the carrying amount for the United Sates Auction, Canada Auction or EquipmentOne CGUs, to
exceed their recoverable amounts in the foreseeable future.

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19. Trade and other payables:

As at December 31,	2013	2012
Trade payables	$ 31,202	$ 34,086
Accrued liabilities	42,134	41,333
Social security and sales taxes payable	23,229	21,223
Net consumption taxes payable	9,623	9,884
Other payables	14,088	11,240
	$ 120,276	$ 117,766

Trade payables are normally settled on 30 day terms and accrued liabilities have an average term of tw months. All current trade and other payables are interest-free and payable within 12 months.

20. Borrowings:

	Carrying value	
	December 31, 2013	December 31, 2012
Current Borrowings	$ 34,391	$ 39,480
Non-current Borrowings		
Term loan, denominated in Canadian dollars, unsecured, bearing interest at 4.225%, due in quarterly installments of interest only, with the full amount of the principal due in May 2022.	$ 32,007	$ 34,248
Term loan, denominated in United States dollars, unsecured bearing interest at 3.59%, due in quarterly installments of interest only, with the full amount of the principal due in May 2022.	30,000	30,000
Term loan, denominated in Canadian dollars, unsecured, bearing interest at 6.385%, due in quarterly installments of interest only, with the full	56,409	60,327

amount of the principal due in May 2016.		
Revolving loan, denominated in Canadian dollars, unsecured, bearing interest at Canadian bankers acceptance rate plus a margin between 0.85% and 1.25%, due in monthly installments of interest only, with the revolving loan available until May 2018.	28,818	31,171
Term loan, denominated in United States dollars, unsecured, bearing interest at a base rate of 1.65% plus a margin between 0.85% and 1.25%, due in quarterly installments of interest only, with the full amount of the principal due in July 2013.		15,000
Term loan, denominated in United States dollars, unsecured, bearing interest at a base rate of 0.48% (2012: 1.16%) plus a margin between 0.85% and 1.25%, due in quarterly installments of interest only, with the full amount of principal due in January 2014.		30,000
	$ 147,234	$ 200,746
Total Borrowings	$ 181,625	$ 240,226

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20. Borrowings (continued):

Current borrowings at December 31, 2013 are comprised of drawings in different currencies on the Company s committed revolving credit facility, and have a weighted average interest rate of 1.45% (December 31, 2012: 3.01%).

As at December 31, 2013, principal repayments for the remaining period to the contractual maturity da are as follows:

	Face value
2014	$ 34,391
2015	
2016	56,484
2017	
2018	29,183
Thereafter	62,008
	$ 182,066

As at December 31, 2013, the Company had available committed revolving credit facilities aggregatin $221,043,000, of which $161,043,000 is available until May 2018. The Company also had uncommitt credit facilities aggregating $212,657,000, of which $106,508,000 expires November 2014. The Comp has a committed seasonal bulge credit facility of $50 million, which is available in February, March, August and September until May 2018. This bulge credit facility is not included in the available credit facilities totals above as at December 31, 2013.

Subsequent to December 31, 2013, the Company repaid the $30 million unsecured term loan that fell d in January 2014 through available cash.

21. Dividends paid and proposed:

(a) Declared and paid:

Year ended December 31,	2013	2012
Dividends on common shares expressed on per share basis:		
Fourth quarter, 2012: 12.25 cents (2011: 11.25)	$ 13,065	$ 11,969
First quarter, 2013: 12.25 cents (2012: 11.25)	13,068	11,973
Second quarter, 2013: 13.00 cents (2012: 12.25)	13,887	13,047
Third quarter, 2013: 13.00 cents (2012: 12.25)	13,898	13,053
	$ 53,918	$ 50,042

(b) Declared and undistributed:

In addition to the above dividends, since the end of the year the Directors have recommended the payr of a final dividend of 13.00 cents per share (2012: 12.25 cents per share), accumulating to a total divid of $13,913,000 (2012: $13,063,000). The aggregate amount of the proposed final dividend is expected be paid on March 7, 2014 out of retained earnings. This dividend payable has not been recognized as a liability in the financial statements. The payment of this dividend will not have any tax consequence fo the Company.

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22. 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.

23. Share-based payments:

(a) Stock option plan:
The Company has a stock option plan that provides for the award of stock options to selected employe directors and officers of the Company. Stock options are granted at an exercise price equal to the fair market value of the Company s common shares at the grant date, with vesting periods ranging from immediate to five years and a term not exceeding 10 years. At December 31, 2013, there were 3,476,9 (2012: 4,114,036) shares authorized and available for grants of options under the stock option plan.

Stock option activity for the year ended December 31, 2013 and 2012 is presented below:

	December 31, 2013		December 31, 2012	
	Common Shares Under Option	Weighted Average Exercise Price	Common Shares Under Option	Weighted Average Exercise Pric
Outstanding, beginning of year	3,540,497	$ 20.27	3,008,169	$ 18.97
Granted	884,500	21.34	828,344	22.71

Exercised	(427,972)		14.37	(210,472)		10.56
Forfeited	(236,351)		21.88	(85,544)		22.30
Expired	(11,100)		23.58			
Outstanding, end of year	3,749,574	$	21.09	3,540,497	$	20.27
Exercisable, end of year	2,476,918	$	20.60	2,413,937	$	18.94

The options outstanding at December 31, 2013 expire on dates ranging to March 5, 2023. The weighte average share price of options exercised during the year ended December 31, 2013 was $21.13 (2012: $21.53). The following is a summary of stock options outstanding and exercisable at December 31, 20

Range of Exercise Prices					Options Outstanding Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Options Exercisab Number	Weig Aver Exer Pri
$	8.82	-	$	10.80	45,900	0.8	10.2	45,900	10
$	14.23	-	$	14.70	633,434	4.5	14.5	627,234	14
$	18.67	-	$	19.95	313,716	4.1	18.9	269,487	18
$	21.34	-	$	23.44	1,963,763	8.1	22.1	829,265	22
$	24.39	-	$	25.91	792,761	5.9	25.3	705,032	25
					3,749,574	6.6	$ 21.09	2,476,918	$ 20

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23. Share-based payments (continued):

(b) Share unit plans:

(i) Restricted Share Unit (RSU) Plan and Performance Share Unit (PSU) Plan

In connection with a review and redesign of the Company s long-term incentive plans, the Company adopted the RSU and PSU plans described below. Effective January 1, 2013, these plans were adopted replace the Company s existing long-term term incentive plans for senior management and executives

Senior management and executive employees of the Company are eligible for RSU grants in respect o financial years commencing after December 31, 2012. Compensation expense for each RSU is equal t grant-date fair value of the share units awarded and is recognized evenly over the vesting periods of th underlying awards, which range from one to three years.

Executive employees of the Company are eligible for PSU grants in respect of years commencing afte December 31, 2012. Compensation expense for each PSU is equal to the grant-date fair value of the sh units awarded and is recognized evenly over the three year vesting period of the underlying awards. Compensation expense is adjusted at each reporting date for an estimate of the number of awards expe to vest based on the achievement of specific performance measures.

(ii) Deferred Share Unit (DSU) Plan:

Effective January 1, 2013, members of the Board of Directors, who are not management of the Compa are required to receive a portion of their fees in the form of DSUs until they satisfy an equity ownersh requirement. Accordingly, the Company may defer payment of a portion of a directors fees and, ann award DSUs, which vest on grant date, in the amount of the deferred compensation cost.

(iii) Additional plan details:

These plans entitle the grant recipient to a cash payment equal to the dividend-adjusted number of sha units vested multiplied by the volume-weighted-average-price of the Company s common shares repo by the New York Stock Exchange for the twenty days prior to vest date or, in the case of DSU recipie following cessation of service on the Board of Directors.

Upon recognizing share-based compensation expense for the plans above, the Company recognizes a liability in the amount of the future cash-settlement obligation of share units earned. At the end of eac reporting period, the Company estimates the number of equity instruments expected to vest, and fair v its share unit cash-settlement obligation. The impacts of these revisions, if any, are recognized in earn such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the settlement liability. Short-term cash-settled share-based liabilities are presented in trade and other pay while long-term settlements are presented in other non-current liabilities.

(iv) Other share-based payment:

The Company has an employee share purchase plan that allows all employees that have completed on year of service to contribute funds to purchase common shares at the current market value at the time share purchase. Employees may contribute up to 4% of their salary. The Company will match betwee 50% and 100% of the employee s contributions, depending on the employee s length of service with Company.

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23. Share-based payments (continued):

(c) Share-based compensation:

(i) Stock option plan:

During the year ended December 31, 2013, the Company recognized compensation cost of $4,504,000 (2012: $4,303,000) in selling, general and administrative expenses in respect of options granted under stock option plan. The fair value of the stock option grants was estimated on the date of the grant usin Black-Scholes option pricing model with the following assumptions:

	2013	2012
Risk free interest rate	0.9%	1.1%
Expected dividend yield	2.31%	1.99%
Expected lives of options	5 years	5 years
Expected volatility	35.2%	35.4%

Risk free interest rate is the US Treasury Department five year treasury yield curve rate on the date of grant. Expected dividend yield assumes a continuation of the most recent dividend payment for the co quarterly dividends. Expected lives of options is based on the age of the options on the exercise date o the past five years. Expected volatility is based on the historical share price volatility over the past fiv years. The weighted average fair market value of the Company s common shares on grant date for op granted during the year ended December 31, 2013 was $21.34 (2012: $23.13).

The weighted average grant date fair value of options granted during the year ended December 31, 20 was $5.65 per option (2012: $6.25). The compensation expense arising from option grants is amortize over the relevant vesting periods of the underlying options.

(ii) Share unit plans:

The weighted fair value of the 370,434 share units granted during the year ended December 31, 2013, excluding the effect of dividend adjustments, was $21.87 (2012: $nil). The compensation expense aris from share unit grants is amortized over the relevant vesting periods of the underlying units.

During the year ended December 31 2013, the Company awarded 19,257 DSUs to its directors to settl
deferred directors fee liability held at December 31, 2012. As directors fees are expensed through s
general and administrative expenses in the period in which director services are received, and as no ve
requirements exist for DSUs, no additional share based compensation has been recognized for this DS
grant.

During the year ended December 31, 2013, the Company recognized compensation cost of $2,460,000
(2012: $nil) in respect of share units granted under its share unit plans. Also included in these costs are
vested, grant date fair value of dividend-equivalent share units distributed in the year under its share u
plans, and the reporting date adjustment required to re-value the Company s share unit cash-settlemen
obligation at year-end fair value.

At December 31, 2013, the carrying amount of the Company s share unit liability was adjusted to refl
reporting date fair value of $21.83 per share unit. The fair value of the share unit grants is calculated o
valuation date using the 20-day volume weighted average share price of the Company s common shar
listed on the New York Stock Exchange.

As at December 31, 2013, the Company had a share unit settlement liability of $2,862,000 (2012: $nil

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24. Business combination:

(a) Summary of acquisition:

On May 15, 2012, the Company gained control of AssetNation LLC and its subsidiaries (the AN Gro by acquiring 100% of the issued shares of AssetNation LLC and its subsidiaries.

(b) Purchase price allocation:

Details of the fair value of the net assets acquired and goodwill are as follows:

	May 15, 2012
Cash and cash equivalents	$ 7,375
Trade and other receivables	320
Prepaid expenses and deposits	579
Property, plant and equipment	327
Intangible assets	23,898
Deferred tax assets	7,067
Auction proceeds payable	(7,031)
Trade and other payables	(2,564)
Other current liabilities	(60)
Deferred tax liabilities	(5,180)
Fair value of net assets acquired	24,731
Goodwill acquired on acquisition	37,931
	$ 62,662

The main driver generating goodwill is the Company s ability to leverage the AN Group s e-commer expertise and technology platform to enhance current business opportunities and develop and launch unique new services for equipment owners.

There was no contingent consideration under the terms of the acquisition, and as such no acquisition provisions were created.

During the three months ended December 31, 2012, acquired software assets of $3,501,000 were reclassified from property, plant and equipment to intangible assets.

(c) Assets and liabilities acquired:

At the date of acquisition, the carrying values of the assets and liabilities acquired approximated their values, except property, plant and equipment, intangible assets, and deferred income taxes, whose fair values were determined using appropriate valuation techniques.

(d) Contributed revenue and net earnings:

The results of the AN Group s operations are included in these consolidated financial statements from date of acquisition. The AN Group s contribution to the Company s revenues and net earnings for th from May 15, 2012 to December 31, 2012 was insignificant. Furthermore, if the acquisition had occur on January 1, 2012, there would have been an insignificant impact on the Company s revenues and n earnings.

(e) Acquisition-related costs:

Expenses totalling $2,129,000 for legal and related acquisition costs are included in the consolidated income statement for the year ended December 31, 2012.

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25. Commitments:

(a) Commitments for expenditure:
As at December 31, 2013, the Company had committed to, but not yet incurred, $3,318,000 in capital expenditure for property, plant and equipment and intangible assets (2012: $2,902,000).

(b) Operating lease commitments the Company as lessee:
The Company has entered into commercial leases for various auction sites and offices located in Cana the United States, the Netherlands, Spain, Germany, the United Kingdom, Portugal, China, Dubai, Me and Panama. The majority of these leases are non-cancellable. The Company also has further operatin leases for certain motor vehicles and small office equipment where it is not in the best interest of the Company to purchase these assets.

The majority of the Company s operating leases have a fixed term with a remaining life between one and 21 years with renewal terms included in the contracts. The leases have varying contract terms, escalation clauses and renewal rights. There are no restrictions placed upon the lessee by entering into these leases, other than restrictions on use of property, sub-letting and alterations. In certain leases the are options to purchase; if the intention to take this option changes subsequent to the commencement o lease, the Company re-assesses the classification of the lease as operating.

The future aggregate minimum lease payments under non-cancellable operating leases, excluding reimbursed costs to the lessor, are as follows:

As at December 31,	2013	2012
Not later than one year	$ 9,903	$ 9,734
Later than one year and no later than five years	29,962	31,912
Later than five years	79,440	96,162
	$ 119,305	$ 137,808

As at December 31, 2013, the total future minimum sublease payments expected to be received under non-cancellable subleases is $2,660,000 (December 31, 2012: $1,243,000). The lease expenditure cha

to earnings during the year ended December 31, 2013 was $17,077,000 (2012: $15,948, 000).

26. 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 balance sheet or income statement.

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26. Contingencies (continued):

(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 December 31, 2013 there was $7,529,000 of industrial equipment guaranteed under contract, all of which is expected to be sold prior to the end of April 2014 (December 31, 2012: $5,323,000 all of whi sold prior to the end of March 2013).

At December 31, 2013 there was $27,582,000 of agricultural equipment guaranteed under contract, of which 87% is expected to be sold prior to the end of April 2014, with the remainder to be sold prior to end of June 2014 (December 31, 2012: $14,995,000 of which 94% sold prior to the end of April 2013, the remainder sold in June 2013).

The outstanding guarantee amounts are undiscounted and before estimated proceeds from sale at aucti

27. Related party transactions:
There have been no guarantees provided or received for any related party receivables.

(a) Transactions with subsidiaries:
The names of the Company s subsidiaries are set out in note 30.

There are no outstanding balances as at December 31, 2013 and 2012 as all significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Transactions with key management personnel:
The Company s key management personnel include the directors of the Company and Board appointe officers.

Total aggregate compensation made to key management personnel of the Company is set out below:

Year ended December 31,	2013	2012
Short-term employee wages and benefits	$ 5,176	$ 6,260
Post-employment benefits	31	28
Share-based payment	3,021	1,236
	$ 8,228	$ 7,524

In October 2013, the Company entered into a Separation Agreement with the Chief Executive Officer
respect of his planned departure from the Company in May 2014. Pursuant to the Separation Agreeme
additional short-term benefits in the amount of $4,580,000 have been expensed in the year.

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28. Capital risk management:

The Company s objectives when managing its capital are to maintain a financial position suitable for providing financial capacity and flexibility to meet its growth strategies, to provide an adequate return shareholders, and to return excess cash through the payment of dividends. The Company s invested c is defined as the sum of shareholders equity and long-term borrowings.

The Company executes a planning and budgeting process to determine the funds required to ensure th Company has appropriate liquidity to meets its operating and growth objectives. The Company ensure that there are sufficient credit facilities to meet its current and future business requirements, taking int account its anticipated cash flows from operations and its holding of cash and cash equivalents.

The Company complies with covenant criteria established by its lenders. These include tangible net w and leverage ratio measurements. As at December 31, 2013 and 2012, the Company is in compliance these covenants. The Company is not subject to any statutory capital requirements, and has not made a changes with respect to its overall capital management strategy during the years ended December 31, and 2012.

29. Financial instruments:

(a) Fair value:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the curre bid price: the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valu techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value of the Company s cash and cash equivalents, trade and other current receivables, advances against auction contracts, current portion of the loan receivable, auction proceeds payable, tr and other payables, and current borrowings approximate their fair values due to their short terms to maturity. Based on this methodology, the fair value of its non-current borrowings as at December 31, was approximately $149,454,000 (2012: $203,199,000) as compared to the carrying value of $147,23 (2012: $200,746,000).

(b) Financial risk management:

The Company and its subsidiaries are exposed to a variety of financial risks by virtue of its activities, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors overall responsibility for the oversight of the Company s risk management.

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29. Financial instruments (continued):

(b) Financial risk management (continued):

(i) Foreign currency risk:

The Company operates internationally and is exposed to foreign currency risk, primarily relating to th
Canadian and United States. dollars, and the Euro, arising from sales, purchases and loans that are
denominated in currencies other than the respective functional currencies of the Company s internatic
operations. The Company also has various investments in non-United States dollar functional currency
subsidiaries, whose net assets are exposed to foreign currency translation risk. The Company has elect
not to actively manage this exposure at this time.

For the year ended December 31, 2013, with other variables unchanged, a 1.00% strengthening of the
United States dollar against the Canadian dollar and Euro would impact the Company s financial stat
as follows:

decrease net earnings by approximately $286,000 (2012: $209,000) due to the translatio
the foreign operations statements of operations into the Company s presentation curre
United States dollar;

increase net earnings by approximately $42,000 (2012: decrease by $20,000) due to the
revaluation of significant foreign currency denominated monetary items; and

decrease other comprehensive income by approximately $2,689,000 (2012: $2,730,000)

(ii) Interest rate risk:

The Company s interest rate risk mainly arises from the interest rate impact on the Company s cash a
equivalents and floating rate debt. Cash and cash equivalents earn interest based on market interest rat
As at December 31, 2013 and 2012, the Company is not exposed to significant interest rate risk on its
and cash equivalents.

The Company s interest rate management policy is generally to borrow at fixed rates. However, floati
rate funding has been used if the terms of borrowings are favourable. The Company will consider utili
derivative instruments such as interest rate swaps to minimize its exposure to interest rate risk. As at
December 31, 2013, approximately 18% (2012: 15%) of the Company s borrowings are at floating ra
interest. The weighted average interest rate paid by the Company on its outstanding floating rate
borrowings during the year was 2.15% (2012: 2.03%).

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RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2013 and 2012

29. Financial instruments (continued):

(b) Financial risk management (continued):

(ii) Interest rate risk (continued):

During the year a portion of the Company s interest was capitalized as it relates to the development o various new and replacement auction sites as well as other capital expenditures. As a result, changes i interest rates on these borrowings will have a smaller affect the Company s net earnings or other comprehensive income until such time as these developments are put into use and amortized. Howeve cash outflows have the potential to be negatively impacted by increases in interest rates. For the year e December 31, 2013, with other variables unchanged, a 100 basis point or 1.00% increase (decrease) i interest rates would decrease (increase) net earnings by approximately $206,000 (2012: $217,000).

(iii) Credit risk:

Credit risk is the risk of financial loss to the Company arising from the non-performance by counterpa of contractual financial obligations. The Company is not exposed to significant credit risk on accounts receivable because it does not extend credit to buyers at its auctions, and it has a large diversified cust base.

The Company is not exposed to significant credit risk on advances against auction contracts because i limits the amounts advanced to a percentage of the Company s estimated value of the assets to be sol addition, assets purchased at the Company s auctions are not normally released to the buyers until the paid in full. The Company s maximum exposure to credit risk on accounts receivable and advances a auction contracts at the reporting date is the carrying value of its accounts receivable and advances ag auction contracts, less those receivables relating to assets that have not been released to the buyers.

The Company s credit risk exposure on liquid financial assets, being cash and cash equivalents, is lim since it maintains its cash and cash equivalents in a range of large financial institutions around the wo

(iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall
The Company manages its liquidity risk by maintaining adequate cash and cash equivalent balances,
generally by releasing payments to consignors only after receivables from buyers have been collected.
Company also utilizes its established lines of credit (note 20) for short-term borrowings on an as-need
basis. The Company continuously monitors and reviews both actual and forecast cash flows to ensure
is sufficient working capital to satisfy its operating requirements.

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RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2013 and 2012

30. Subsidiaries:
These consolidated financial statements include financial statements of Ritchie Bros. Auctioneers Incorporated and the subsidiaries listed in the following table:

Name of subsidiary	Country of incorporation	Proportion of ownership interest	Principal activ
Ritchie Bros. Holdings Inc.	United States of America (USA)	100%	Holding compar
Ritchie Bros. Holdings (America) Inc.	USA	100%	Holding compar
Ritchie Bros. Auctioneers (America) Inc.	USA	100%	Auction services
Ritchie Bros. Properties Inc.	USA	100%	Property management
Ritchie Bros. Auctioneers (International) Finance LLC	USA	100%	Holding compar
Ritchie Bros. Financial Services (America) Inc.	USA	51%	Brokerage servi
Ritchie Bros. Auctioneers Holdings Inc.	USA	100%	Holding compar
AssetNation, Inc.	USA	100%	E-commerce marketplace
Spindletop Group, LLC	USA	100%	Development ar marketing comp
SalvageSale Services, Inc.	USA	100%	Value-added ser
SalvageSale Mexico Holding LLC	USA	100%	Holding compar
Ritchie Bros. Holdings Ltd.	Canada	100%	Holding compar
Ritchie Bros. Auctioneers (Canada) Ltd.	Canada	100%	Auction services
Ritchie Bros. Real Estate Service Ltd.	Canada	100%	Real estate aucti services
Bridgeport Agencies Ltd.	Canada	100%	Asset manageme
Ritchie Bros. Properties Ltd.	Canada	100%	Property management
Ritchie Bros. Financial Services Ltd.	Canada	51%	Brokerage servi
Ritchie Bros. Auctioneers (International) Ltd.	Canada	100%	Holding compar
Ritchie Bros. Auctioneers (Japan) Ltd.	Canada	100%	Administrative services

Ritchie Bros. Holdings (Cyprus) Limited	Cyprus	100%	Holding compan
Ritchie Bros. Auctioneers Limited	Cyprus	100%	Holding compan
Ritchie Bros. Auctioneers (ME) Limited	Cyprus	100%	Auction services
Ritchie Bros. (Hungary) Kft.	Hungary	100%	Holding compan
Ritchie Bros. Auctioneers India Private Limited	India	100%	Auction services
Ritchie Bros. Holdings B.V.	The Netherlands	100%	Holding compan
Ritchie Bros. Auctioneers B.V.	The Netherlands	100%	Auction services
Ritchie Bros. Shared Services B.V.	The Netherlands	100%	Administrative services
Ritchie Bros. Properties B.V.	The Netherlands	100%	Property management
Ritchie Bros. Technical Servies B.V.	The Netherlands	100%	Administrative services
Ritchie Bros. Auctioneers (Poland) Sp.z.o.o.	Poland	100%	Auction services
Ritchie Bros. Properties S.r.l.	Italy	100%	Property management
Ritchie Bros. Auctioneers S.r.l.	Italy	100%	Auction services
Ritchie Bros. Auctioneers (Spain) S.L.	Spain	100%	Auction services
Ritchie Bros. Properties (Spain) S.L.	Spain	100%	Property management
Ritchie Bros. Auctioneers (UK) Limited	United Kingdom	100%	Auction services
SalvageSale Limited	United Kingdom	100%	E-commerce marketplace
Ritchie Bros. Auctioneers GmbH	Germany	100%	Auction services
Ritchie Bros. Auctioneers (Belgium) N.V.	Belgium	100%	Administrative services
SVV Ritchie Bros. Auctioneers France	France	100%	Auction services
Ritchie Bros. Services SARL	France	100%	Administrative services
Ritchie Bros. Holdings SARL	France	100%	Holding compan
Ritchie Bros. Properties EURL	France	100%	Property management
Ritchie Bros. Holdings Pty Ltd.	Australia	100%	Holding compan
Ritchie Bros. Auctioneers Pty Ltd.	Australia	100%	Auction services
Ritchie Bros. Properties Pty Ltd.	Australia	100%	Property management

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RITCHIE BROS. AUCTIONEERS INCORPORATED

Notes to the Consolidated Financial Statements

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

Years ended December 31, 2013 and 2012

30. Subsidiaries (continued):

Name of subsidiary	Country of incorporation	Proportion of ownership interest	Principal activ
Ritchie Bros. Properties Japan K.K.	Japan	100%	Property management
Ritchie Bros. Auctioneers (Japan) K.K.	Japan	100%	Auction services
Ritchie Bros. Auctioneers Pte Ltd.	Singapore	100%	Auction services
Ritchie Bros. Auctioneers (Beijing) Co. Ltd.	China	100%	Auction services
Ritchie Auction (Beijing) Co. Ltd.	China	100%	Auction services
Ritchie Bros. Auctioneers Mexico Services, S.de R.L. de C.V.	Mexico	100%	Administrative services
Ritchie Bros. Auctioneers de Mexico, S. de R.L.de C.V.	Mexico	100%	Auction services
Ritchie Bros. Properties, S. de R.L. de C.V.	Mexico	100%	Property management
SalvageSale De Mexico S. de R.L. de C.V.	Mexico	100%	E-commerce marketplace
SalvageSale Servicios, S. de R.L. de C.V.	Mexico	100%	Administrative services
Ritchie Bros. Auctioneers (Panama) S.A.	Panama	100%	Auction services
Ritchie Bros. Auctioneers Comercial de Equipamentos Industriais Ltda	Brazil	100%	Administrative services
Ritchie Bros. Auctioneers Muzayede Danismanlik ve Ticaret Limited Sirketi	Turkey	100%	Auction services
Ritchie Bros. Auctioneers LLC (Russia)	Russia	100%	Administrative services
Ritchie Bros. Holdings Luxembourg SARL	Luxembourg	100%	Holding compar
Ritchie Bros. Luxembourg SARL	Luxembourg	100%	Holding compar

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SUPPLEMENTAL QUARTERLY DATA

(Unaudited; tabular dollar amounts expressed in thousands of United States dollars, except per share data)

			Attributable to equity holders of the parent com			
	Gross		Net	Net Earnings Per Share		Clos
2013 [1]	Auction Proceeds	Revenues	Earnings	Basic	Diluted	Stock
1st quarter	$ 845,353	$ 102,058	$ 13,990	$ 0.13	$ 0.13	$ 22
2nd quarter	1,072,942	128,322	29,795	0.28	0.28	20
3rd quarter	789,640	105,800	16,295[2]	0.15[2]	0.15[2]	19
4th quarter	1,109,834	131,223	33,745[2]	0.32[2]	0.31[2]	21
	$ 3,817,769	$ 467,403	$ 93,825[2]	$ 0.88[2]	$ 0.88[2]	

			Attributable to equity holders of the paren company [7]			
	Gross		Net	Net Earnings Per Share		Clos Sto
2012 [1]	Auction Proceeds	Revenues	Earnings	Basic	Diluted	Pri
1st quarter	$ 864,506	$ 101,276	$ 18,026	$ 0.17	$ 0.17	$ 23
2nd quarter	1,194,356	127,213	31,259[3]	0.29[3]	0.29[3]	21
3rd quarter	848,716	92,326	8,199[3]	0.08[3]	0.08[3]	19
4th quarter	1,000,413	117,140	22,067[3]	0.21[3]	0.21[3]	20
	$ 3,907,991	$ 437,955	$ 79,551[3]	$ 0.75[3]	$ 0.74[3]	

			Attributable to equity holders of the paren company [7]			
	Gross		Net	Net Earnings Per Share		Clos Sto
2011 [1]	Auction Proceeds	Revenues	Earnings	Basic	Diluted	Pri
1st quarter	$ 851,283	$ 88,463	$ 16,570[4]	$ 0.16[4]	$ 0.16[4]	$ 28
2nd quarter	1,149,847	114,524	26,763	0.25	0.25	27
3rd quarter	673,362	79,709	6,533	0.06	0.06	20
4th quarter	1,039,789	113,403	26,767	0.25	0.25	22
	$ 3,714,281	$ 396,099	$ 76,633[4]	$ 0.72[4]	$ 0.72[4]	

			Attributable to equity holders of the paren company [7]			
	Gross		Net			Clos

2010 (1)	Auction Proceeds	Revenues	Earnings	Net Earnings Per Share Basic	Diluted	Sto Pri
1st quarter	$ 776,659	$ 83,544	$ 12,707	$ 0.12	$ 0.12	$ 2
2nd quarter	951,634	103,300	26,054(5)	0.25(5)	0.25(5)	1
3rd quarter	750,912	82,229	13,375	0.13	0.13	2
4th quarter	798,566	88,296	13,539	0.13	0.13	2
	$ 3,277,771	$ 357,369	$ 65,675(5)	$ 0.62(5)	$ 0.62(5)	

2009 (1)	Gross Auction Proceeds	Revenues	Attributable to equity holders of the parer company (7) Net Earnings	Net Earnings Per Share Basic	Diluted	Clos Sto Pri
1st quarter	$ 798,291	$ 83,675	$ 19,879(6)	$ 0.19(6)	$ 0.19(6)	$ 1
2nd quarter	1,109,331	120,459	38,847	0.37	0.37	2
3rd quarter	693,288	75,934	12,892	0.12	0.12	2
4th quarter	891,111	97,143	21,834(6)	0.21(6)	0.21(6)	2
	$ 3,492,021	$ 377,211	$ 93,452(6)	$ 0.89(6)	$ 0.88(6)	

(1) Figures in 2010 through 2013 are presented in accordance with International Financial Reporting Standards. 2009 figures are presented in accordance with previous Canadian Generally Accepted Accounting Principles.

(2) Net earnings in the third quarter of 2013 included a $0.7 million ($0.4 million after tax) gain on th sale of excess property. Net earnings in the fourth quarter of 2013 included a $9.2 million ($6.8 million after tax) gain on the sale of excess property, and a $4.6 million ($3.4 million after tax) non-recurring expense related to a separation agreement reached with our departing CEO. Exclud the impact of these items, net earnings for the third and fourth quarters of 2013 would have been $ million and $30.7 million, respectively.

(3) Net earnings in the second quarter of 2012 included a $1.9 million ($1.2 million after tax) loss on sale of excess property. Excluding the impact of this item, net earnings for the second quarter of 2 would have been $32.5 million. Net earnings in the third and fourth quarters of 2012 included net impairment losses of $2.5 million ($1.5 million after tax) and $0.3 million ($0.3 million after tax) respectively, on excess property. Excluding the impact of these items, net earnings for the third ar fourth quarters of 2012 would have been $9.7 million and $22.4 million, respectively.

(4) Net earnings in the first quarter of 2011 include a gain of $3.5 million ($3.0 million after tax) reco on the sale of excess property. Excluding the impact of this item, net earnings for the first quarter 2011 would have been $13.6 million ($0.13 per share, basic and diluted), and net earnings for the year 2011 would have been $73.6 million ($0.69 per share, basic and diluted).

(5) Net earnings in the second quarter of 2010 included a gain of $1.2 million ($0.7 million after tax) recorded on the sale of excess property. Excluding the impact of this item, net earnings for the sec quarter of 2010 would have been $25.3 million ($0.24 per share, basic and diluted), and net earnin for the full year 2010 would have been $65.2 million ($0.62 per basic share and $0.61 per diluted share).

(6) Net earnings in the first quarter of 2009 included the impact of foreign exchange on U.S. dollar denominated bank debt held by a Canadian subsidiary, which was assigned in January 2009 to an affiliate whose functional currency is the U.S. dollar to eliminate the impact of currency fluctuatio on this debt in future periods. The foreign exchange impact of this bank debt in the first quarter of 2009 was a $0.8 million gain ($0.7 million after tax). Excluding the impact of this item, net earnin for the first quarter of 2009 would have been $19.2 million ($0.18 per share, basic and diluted).
Additionally, net earnings in the fourth quarter of 2009 included a gain of $1.1 million ($0.7 million a tax) recorded on the sale of excess property. Excluding the impact of this item, net earnings for the fou quarter of 2009 would have been $21.1 million ($0.20 per share, basic and diluted).

Excluding the impact of all items above, net earnings for the full year 2009 would have been $92.0 mi ($0.87 per share, basic and diluted).

(7) Net earnings and net earnings per share figures represent only those amounts attributable to equity holders of the parent, to conform with the presentation adopted in our consolidated financial statements. Comparative figures and adjusted net earnings discussions have been presented on the same basis.

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SELECTED FINANCIAL AND OPERATING DATA

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

Years ended December 31,	2013[1]	2012[1]	2011[1]	2010[1]	2009[1]
Gross auction proceeds (unaudited)	$ 3,817,768	$ 3,907,991	$ 3,714,281	$ 3,277,771	$ 3,492,0
Statement of operations data:					
Revenues[4]	$ 467,403	$ 437,955	$ 396,099	$ 357,369	$ 377,2
Direct expenses[4]	(54,008)	(49,687)	(48,044)	(47,021)	(49,8
	413,395	388,268	348,055	310,348	327,3
Depreciation and amortization	(43,280)	(41,138)	(42,408)	(37,813)	(31,7
Selling, general and administrative expenses[4]	(243,736)	(227,091)	(201,935)	(181,020)	(168,3
Earnings from operations	126,379	120,039	103,712	91,515	127,2
Other income (expense)[4]:					
Foreign exchange gain (loss)[3][4]	28	(619)	(585)	(49)	(1,0
Gain (loss) on disposition of capital assets[2]	10,552	(2,074)	3,861	250	6
Other income (loss)	2,522	(891)	4,242	1,823	2,8
Finance income (costs)[4]:					
Interest expense	2,708	2,420	(5,541)	(5,216)	(5
Interest income[4]	(7,434)	(6,860)	2,326	2,035	2,4
Earnings before income taxes	134,755	112,015	108,015	90,358	131,5
Income taxes	(40,129)	(32,469)	(31,382)	(24,683)	(38,0
Net earnings[2][3]	$ 94,626	$ 79,546	$ 76,633	$ 65,675	$ 93,4
Net earnings attributable to:					
Equity holders of the parent	93,825	79,551	76,633	65,675	93,4
Non-controlling interest	801	(5)			
	$ 94,626	$ 79,546	$ 76,633	$ 65,675	$ 93,4
Net earnings per share attributable to equity holders of the parent diluted	$ 0.88	$ 0.74	$ 0.72	$ 0.62	$ 0.

Balance sheet data (end of year):					
Working capital (including cash)	110,048	96,053	63,296	45,543	30,5
Total assets	630,634	655,677	967,241	872,558	857,8
Long term debt	147,234	200,746	133,881	135,886	130,3
Total equity attributable to equity holders of the parent	694,017	656,798	617,906	579,867	544,4
Selected operating data (unaudited):					
Revenues as percentage of gross auction proceeds	12.24%	11.21%	10.66%	10.90%	10.
Number of consignors at industrial auctions(5)	43,550	42,100	41,300	40,360	37,0
Number of bidders at industrial auctions(5)	425,000	389,500	385,000	340,600	336,0
Number of buyers at industrial auctions(5)	104,550	99,250	95,550	95,100	97,8
Number of permanent auction sites (end of year)	39	39	39	35	

(1) Figures for 2010 through 2013 are presented in accordance with International Financial Reporting Standards. 2009 figures are presented in accordance with previous Canadian Generally Accepted Accounting Principles.

(2) Net earnings for 2013 included a net gain on sales of excess properties of $9.9 million ($7.2 millio after tax, or $0.07 per diluted share). Net earnings for 2012 included a net loss on the sale of exces property of $1.9 million ($1.2 million after tax, or $0.01 per diluted share). Net earnings for 2011 2009 included net gains on sales of excess properties of $3.5 million ($3.0 million after tax, or $0 per diluted share), and $1.1 million ($0.7 million after tax, or $0.01 per diluted share), respectivel Net earnings for 2013 also included a non-recurring expense related to a separation agreement rea with our departing CEO in the amount of $4.6 million ($3.4 million after tax, or $0.03 per diluted share).

(3) Net earnings for the full year 2009 included the impact of foreign exchange on U.S. dollar denominated bank debt held by a Canadian subsidiary, which was assigned in January 2009 to an affiliate whose functional currency is the U.S. dollar to eliminate the impact of currency fluctuatio on this debt in future periods. The foreign exchange impact of this bank debt in the first quarter of 2009 was a $0.8 million gain ($0.7 million, or less than $0.01 per diluted share, after tax). The Company does not expect such foreign exchange gains or losses relating to financial transactions recur in future periods.

(4) Figures for 2009 and 2010 have been reclassified to conform with presentation adopted in 2011.

(5) Figures for 2009 and 2010 have been rounded to conform with presentation adopted in 2011.

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Shareholder Information

Address

Ritchie Bros. Auctioneers Incorporated

9500 Glenlyon Parkway

Burnaby, BC, Canada, V5J 0C6

Telephone:	778.331.5500
Canada (toll-free):	1.800.663.1739
USA (toll-free):	1.800.663.8457
Facsimile:	778.331.5501
Web site:	www.rbauction.com

Board of Directors

Robert W. Murdoch	*Chairman and Independent Director*
Peter J. Blake	*Director & Chief Executive Officer*
Beverley A. Briscoe	*Independent Director*
Robert Elton	*Independent Director*
Erik Olsson	*Independent Director*
Eric Patel	*Independent Director*
Edward B. Pitoniak	*Independent Director*
Christopher Zimmerman	*Independent Director*

Shareholders wishing to speak to the Chairman should call 778.331.5500 or send an email to leaddirector@rbauction.com.

Corporate Governance Information

Further Corporate Governance information, including our Report on Corporate Governance, which is included in our Information Circular for our annual meeting of Shareholders, is available on our webs www.rbauction.com.

Investor Relations

Analysts, portfolio managers, investors and representatives of financial institutions seeking financial a operating information may contact:

Investor Relations Department

Ritchie Bros. Auctioneers

9500 Glenlyon Parkway

Burnaby, BC, Canada, V5J 0C6

Telephone:	778.331.5500
Canada (toll-free):	1.800.663.1739
USA (toll-free):	1.800.663.8457
Email:	ir@rbauction.com

Copies of the Company s filings with the U.S. Securities & Exchange Commission and with Canadia securities commissions are available to shareholders and other interested parties on request or can be accessed directly on the internet at www.rbauction.com.

Transfer Agent

Communications concerning transfer requirements, address changes and lost certificates should be dir to:

Computershare Trust Company of Canada

510 Burrard Street

2nd Floor

Vancouver, British Columbia

Canada, V6C 3B9

Telephone:	604.661.0226
Canada and USA (toll-free):	1.800.564.6253
Facsimile:	604.661.9401
Facsimile (toll-free):	1.800.249.7775
Self-service:	www.computershare.com

Co-agent in the United States:

Computershare Trust

Company of New York

New York, NY

Auditors

Ernst & Young LLP, Vancouver, Canada

Management Advisory Committee

Peter J. Blake [(1)]	*Chief Executive Officer*
Richard J. Aldersley	*VP Sales US South West*
Robert S. Armstrong[(1)]	*Chief Strategic Development Officer*
Bradley M. Bass	*Senior Valuation Analyst Europe*
Robert G. Blackadar	*Senior VP Sales Strategic Accounts*

Joseph P. Boyle	*VP US North East*
Brent M. Bradshaw	*VP Group Operations (US West)*
Stephen H. Branch	*VP Sales Asia*
William A. Cooksley	*Senior VP Information Technology*
Chris Connell	*President & Chief Operating Officer of EquipmentOne*
Shane Eshuis	*VP Group Operations (Europe & Middle*
Jacobo Garcia	*VP Sales Europe West*
Robert W. Giroux	*VP Sales US North West*
Brian L. Glenn	*VP Sales Western Canada*
Pat Hicks	*Auctioneer*
Curtis C. Hinkelman	*Senior VP -Sales Eastern USA*
David W. Hobbs	*VP Sales US South Central*
Kieran Holm	*VP Sales US North Central*
Michael D. Johnston	*Senior VP Sales US West*
Kevin Kobus	*VP Group Operations (US East)*
Jacob W. Lawson	*VP Sales Eastern Canada*
Kenton H. Low[1]	*Chief Marketing Officer*
Warwick N. Mackrell	*VP Sales Australia*
Robert A. McLeod [1]	*Chief Financial Officer*
Andrew Muller[1]	*Chief People Officer*
Nicola Nicelli	*VP Sales Europe South*
Nick Nicholson	*Senior VP Sales Central USA*
Doug W. Olive	*VP Pricing & Valuations*
Sriram Palghat	*Senior VP Information Technology*
Oliver E. Piekaar	*VP Finance*
Victor E. Pospiech	*Senior VP Sales Performance*
Scot Richardson	*Senior VP Product Management*
Jeroen L.J. Rijk	Senior *VP Sales Europe*
Gary L. Seybold	*VP Sales US South East*
Anna Sgro	*Senior VP Sales Canada East*
Steven C. Simpson [1]	*Chief Sales Officer*
Robert G. Thompson	*VP Properties*
Kevin R. Tink	*Senior VP Sales Canada West & Agricul*
John Vallely	*Senior VP Corporate Development*
Simon A. Wallan	*VP Sales Agriculture*
Randy Wall[1]	*Chief Productivity Officer*
Darren J. Watt	*General Counsel & VP Corporate Development, and Corporate Secretary*
Karl W. Werner[1]	*Chief Auction Operations Officer*
Frank D. Wilson	*VP Group Operations (US Central)*

[1] Member of the Executive Team

Annual Meeting

The annual meeting of the Company s shareholders will be held at 11am on Thursday May 1, 2014 at Company s head office located at 9500 Glenlyon Parkway, Burnaby, BC, V5J 0C6.

Stock Exchanges

Ritchie Bros. Auctioneers Incorporated is listed on the New York Stock Exchange and the Toronto St
Exchange and on both exchanges, trades under the symbol RBA .

Dividends

All dividends paid by Ritchie Bros. Auctioneers are eligible dividends, unless indicated otherwise in t
Company s quarterly reports or by press release.

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SIGNATURES

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

RITCHIE BROS. AUCTIONEERS INCORPORATED
(Registrant)

Date: March 27, 2014

By: */s/ Darren Watt*
Darren Watt,
Corporate Secretary