

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2001.

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 **0-27544**

OPEN TEXT CORPORATION

(Exact name of Registrant as specified in its charter)

Ontario, Canada

(State or other jurisdiction
of incorporation or organization)

**185 Columbia Street West
Waterloo, Ontario, Canada**

(Address of principal executive offices)

98-0154400

(IRS employer
identification no.)

N2L 5Z5

(Zip code)

Registrant's telephone number, including area code: **(519) 888-7111**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
None

Name of each exchange on which registered
None

Securities registered pursuant to Section 12(g) of the Act:

Common Shares, without par value

(Title of Class)

Indicate by check mark whether the registrant: (1) has 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the Registrant's Common Shares held by non-affiliates as of August 31, 2001 was approximately \$477 million. The number of shares of the Registrant's Common Shares outstanding as of August 31, 2001 was 20,028,606.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the registrants amended and restated annual report to be filed on Form 10-K/A.

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PART I

Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express or involve discussions with respect to predications, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance or the outcome of litigation (often, but not always, using words or phrases such as “believes”, “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate” or “intends” or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken or achieved) are not statements of historical fact and may be “forward looking statements”. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company’s business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward looking statements. Such factors include, but are not limited to: the Company’s limited operating history and losses, increases or decreases in expenses, unproven acceptance of the Company’s products and services, risks surrounding the fact that the Company operates in a developing market, risks regarding the integration of acquisitions, risks involving the management of growth, risks regarding competition and new entrants in the market for the Company’s products and services, product development risks, risks regarding the recruiting and retention of employees, risks regarding third party software, risks regarding sufficient cash flow being generated from operations, risks relating to intranets, potential fluctuations in quarterly operating results, risks regarding intellectual property rights, risks regarding dependence on key personnel, the volatility of the Company’s stock price, the Company’s dependence on a limited number of products, dependence on distribution channels, risks associated with international sales, risks of technological change, and litigation risk. Litigation and arbitration proceedings are inherently uncertain and can be affected by newly discovered evidence or documents, the assertion of new claims or legal theories and other factors that make it difficult to predict the outcome of litigation with certainty. Additional risks and uncertainties are described in connection with certain of the forward-looking statements under “Business”. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they are made. Forward looking statements are based on management’s current plans, estimates, opinions and projections and the Company assumes no obligation to update forward looking statements if assumptions of these plans, estimates, opinions and projections should change.

Item 1. Business

The Company

The Company was incorporated on June 26, 1991 pursuant to articles of incorporation under the Business Corporations Act (Ontario). The Company amended its articles on August 1, 1995 and November 16, 1995, respectively, and filed articles of amalgamation on June 30, 1992, December 29, 1995, July 1, 1997, July 1, 1998, and July 1, 2000. References herein to the “Company” refer to Open Text Corporation and its subsidiaries. The Company’s principal executive offices are located at 185 Columbia Street West, Waterloo, Ontario, Canada N2L 5Z5, and its telephone number at that location is (519) 888-7111. The Company’s World Wide Web homepage address is www.opentext.com. Throughout this Form 10-K, the term “fiscal 2001” means the Company’s fiscal year beginning on July 1, 2000 and ending on June 30, 2001 and the term “fiscal 2000” means the Company’s fiscal year beginning July 1, 1999 and ending on June 30, 2000.

BUSINESS OF THE COMPANY

Open Text develops, markets, licenses and supports collaborative knowledge management application software for use on intranets, extranets and the Internet, enabling users to find electronically stored information, work together in creative and collaborative processes, do group calendaring and scheduling and distribute or make available to users across networks or the Internet the resulting work product and other information. The Company’s principal product line, *Livelink*, is a scaleable collaborative network application that integrates several modular

engines including, but not limited to, search, collaboration, workflow, group calendaring and scheduling, and document management. The Company's search engine enables users to transparently search vast amounts of data stored in a wide variety of formats and in disparate locations, including World Wide Web sites. The Company's collaboration, workflow and document management engines enable users to establish and manage knowledge and document-oriented collaborative work processes that involve a diversity of workers, computing platforms and data. The Company's group calendaring and scheduling enables users to quickly schedule personal and group meetings, reserve conference rooms and add tasks to other users' lists of things to do. In addition, the Company's products enable organizations to flexibly manage the distribution and availability of information. The Company has focused its efforts on its intranet-related software and services to provide collaborative knowledge management solutions for use on intranets and extranets.

The Company's family of collaborative applications enables thousands of organizations to effectively address and accelerate a diverse range of business needs including managing information, unifying globally distributed teams, capturing market opportunities, accelerating product cycles, improving customer and partner relationships and altering business strategies.

Open Text's flagship product, *Livelink*®, is a Web-based, enterprise-wide, collaborative knowledge management application ready to install, out-of-the-box. Livelink transforms intranets, extranets and portals into collaborative knowledge management systems which help organizations capture their intellectual properties by facilitating collaboration.

Livelink integrates virtual team collaboration, document and records management, business process automation, library automation, enterprise group scheduling, and information retrieval services, which can all be accessed by employees using any standard Web browser. This collaborative environment enables ad hoc teams to form quickly across functional and organizational boundaries without formal user training.

The Company believes that two key factors distinguish Livelink from competing alternatives. First, unlike collaborative software developed for client/server environments, Livelink was designed from the outset to run on the Internet. As Web-based technology, Livelink scales easily and rapidly to thousands of users, gigabytes of data, and millions of documents. Second, unlike solutions offering tools for users to build custom collaborative applications, Livelink is an off-the-shelf, ready-to-install application. It is easy to customize and requires no special development for project teams to quickly become productive. As a result, companies may enhance their ability to realize their return on investment quickly.

In the six years since the introduction of Livelink, Open Text has achieved significant market acceptance. Organizations with tens of thousands of users are deploying Livelink for business-critical applications. Numerous Value-Added Resellers ("VARs"), Solution Providers, Technology Partners, Application Service Providers ("ASPs"), and Systems Integrators have joined Open Text's Affinity Partner program since its inception, including several new additions in fiscal 2001. Business, technical, and marketing relationships have been formed with industry leaders such as Adobe, Canon Sales, KPNQuest, Microsoft, Netscape, ITX Corporation, Oracle, Siemens Nixdorf, SAP and Unisys.

Open Text completed its initial public offering in January 1996. As of June 30, 2001 the Company employed over 1100 individuals (excluding contractors) and had facilities in the United States, Canada, Europe, and Australia, and was represented in the Asia-Pacific region through distribution partners such as Canon Japan and ITX Corporation. The Company operates both directly and through a number of wholly owned subsidiaries, including: Open Text Inc., an Illinois corporation; Open Text AG, a Swiss corporation; Open Text International BV, a Dutch corporation; Open Text UK Limited, a British corporation; Information Dimensions, SARL, a French corporation; Open Text GmbH, a German corporation and Open Text Pty Ltd., an Australian corporation.

The Company has two reportable segments: North America, and Europe. The Company evaluates operating segment performance based on total revenues and operating costs of the segment. Information regarding the results of operations of these segments, as well as the assets relating to each of these segments can be found in note 13 to the attached consolidated financial statements.

Acquisitions

Open Text has sought to substantially broaden its technology base and product offerings and to strengthen its sales and customer support capabilities through a series of acquisitions. Open Text assesses each potential acquisition target with specific emphasis on three main factors. First, the Company seeks to acquire businesses with technologies that can be integrated with its existing technologies to create new products and enhance the existing product family. Second, the Company seeks to acquire businesses with experienced IT development and management personnel that may have specific domain expertise. Third, the Company seeks to acquire businesses that offer a new distribution channel or customer base for Open Text's products.

Pursuant to this strategy, the Company acquired Odesta Systems Corporation ("Odesta"), certain assets of Intunix AG ("Intunix"), the Internet Anywhere division of Mortice Kern Systems Inc. ("Internet Anywhere"), certain assets of SoftCore UK Limited and SoftCore Technology Limited ("SoftCore"), certain assets of NIRV Community Resource Centre ("NIRV"), Network Software Group, Inc., a British Columbia corporation ("NSG"), InfoDesign Corporation, a Virginia corporation, InfoDesign Corporation, an Ontario corporation (collectively, "InfoDesign"), certain assets and liabilities of Campbell Services, Inc. ("OnTime"), certain assets and liabilities of Information Dimensions, Inc. ("Information Dimensions"), certain assets and liabilities of Lava Systems Inc. ("Lava"), certain assets and liabilities of PS Software Solutions Ltd. ("PS Software"), Microstar Software Ltd. ("Microstar"), Bluebird Systems Inc. ("Bluebird"), Open Image Systems Inc. ("Open Image"), certain assets and liabilities of Leadingside Inc. ("Leadingside"), and Base4 Inc. ("Base4"). Odesta, InfoDesign, NSG, Microstar, Bluebird, Open Image, and Base4 and the acquired assets of Intunix, Internet Anywhere, SoftCore, NIRV, OnTime, Information Dimensions, Lava, PS Software and Leadingside are referred to collectively as the "Acquired Businesses", and the Company's acquisitions of the Acquired Businesses are referred to as the "Acquisitions."

In August 1995, Open Text acquired the business of Internet Anywhere in Waterloo, Ontario. The primary product of Internet Anywhere was a suite of integrated software applications designed to assist users with access to and use of the Internet. The Company no longer markets the Internet Anywhere product.

In October 1995, Open Text acquired Odesta, an Illinois-based software company offering integrated workflow, document management and collaborative computing software marketed under the name "Livelink." The Company's strategy has developed Odesta's Livelink technology to enable users to manage documents, establish collaborative workgroups, and manage and track the progress of their work using intranets and the Internet.

In October 1995, Open Text acquired certain of the assets of Intunix, based in St. Gallen, Switzerland. Intunix offered the Company a new distribution channel, as well as certain technology that was integrated with the Company's search engine technology.

In March 1996, Open Text acquired SoftCore, based in England, which had been a value-added reseller of the Company's products in Europe. In connection with this acquisition, the Company established sales offices in England and the Netherlands by incorporating existing SoftCore offices and personnel.

In June 1996, Open Text acquired InfoDesign, NIRV and NSG. InfoDesign, located in Northern Virginia and Toronto, Ontario was a systems integrator and a value-added reseller of the Company's search technology. Infodesign developed and marketed WorkSmart, an SGML document management and workflow software product. NIRV, based in Toronto, Ontario, created and operated Internet protocol networks in Canada and developed software technology relating to network management and administration. NIRV's technical employees were experienced in the installation and operation of Internet protocol networks, and were integrated into the Company's workforce to assist in product installations and customer service. NSG, based in Vancouver, British Columbia, consulted on the Company's *Open Text Index* development efforts and its employees, who have extensive experience working with intranet networks, have been integrated into the Company's software development division, as well as in the areas of customer support and installation.

In December 1997, Open Text acquired certain assets and liabilities of OnTime, a company based in Southfield, Michigan. This acquisition provided Open Text with group calendaring and scheduling products in client/server and Web environments.

In June 1998, Open Text acquired certain assets and liabilities of Information Dimensions. Information Dimensions, based in Columbus, Ohio and European subsidiaries in London, Paris, and Frankfurt, provided Open Text with document storage management, enterprise-wide access interface and a suite of application development interfaces.

In December 1998, Open Text acquired certain assets and liabilities of Lava, a company based in Toronto, Ontario, from its court-appointed receiver. This acquisition provided Open Text with access to Lava's document management technology and its professional services organization.

In August 1999, Open Text acquired all the outstanding shares of PS Software Solutions Ltd, a company based in Ottawa, Canada. The purpose of this acquisition was to broaden Open Text's document management capabilities by providing Livelink users with more advanced records management and full life cycle management of electronic documents. The acquisition enabled the Company to join the Canadian Government's Records, Document Information Management System ("RDIMS") project specifications.

In November 1999, a wholly-owned subsidiary of Open Text completed its acquisition of Microstar, a company based in Ottawa, Ontario. The purchase of Microstar added to the Company's XML based capabilities to allow e-business customers to adopt Livelink technology more rapidly in extranets. Microstar was recognized for its innovative standards-based solutions based on SGML and XML, and its technological expertise included the development of XML and SGML tools such as Near and Far ® Designer and the Aelfred Parser. In addition, Microstar had considerable experience in the government sector.

In October 2000, Open Text purchased all the outstanding shares of Bluebird, a company based in Carlsbad, California. This acquisition helped Open Text extend its collaborative commerce solutions to SCM, CRM and ERP applications from vendors such as PeopleSoft.

In November 2000, Open Text completed the acquisition of the product businesses of Leadingside, a company based in Albany, NY, which was a leading provider of e-business solutions that specializes in knowledge-driven solutions for a variety of applications such as publishing, corporate portals, corporate intranets, and knowledge management systems. Product lines transferred included the company's former Dataware products, marketed as BRS/Search, InQuery, and Queryserver. All intellectual property including patents, source code, customer lists and contracts associated with the product lines were transferred with this acquisition and approximately 40 former employees of Leadingside joined Open Text following the completion of this transaction.

In November 2000, Open Text acquired all of the outstanding shares of Open Image of Toronto, Ontario. It is expected that Open Image's e-commerce infrastructure will assist Open Text in marketing its products to the financial services sector.

In January 2001, Open Text acquired all of the outstanding shares of Base4 of Toronto, Ontario. Base4's PharMatrix product was designed to facilitate the capture, storage and dissemination of knowledge generated during the project lifecycle of the pharmaceutical discovery process.

Further information regarding the Acquisitions is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 of the Notes to Consolidated Financial Statements contained herein.

Industry Overview

Organizations seek to leverage their knowledge assets and streamline their business processes in order to increase employee productivity and reduce costs. Through investments in traditional information management tools, organizations often establish a variety of data processing infrastructures that are rigidly designed to complete specific tasks or perform narrowly defined functions. As a result, organizations are faced with significant information management challenges attributable to rapidly increasing amounts of data created and stored in a variety of formats and in disparate locations across various networks. In addition, the Internet, as an important medium for communication, continues to have an unparalleled influence on the configuration of network computing

environments. Today, organizations are adopting private “intranets”, developing extranets with partners and customers, using portal interfaces to connect geographically dispersed networks and facilities, and managing business critical information and resources.

Proliferation of Information on Client/Server Networks and the Internet, and the Continuing Development of Intranets, Extranets and Business Portals

Advances in computer hardware and software technology continue to result in dramatic improvements in the amount of electronically stored information available to computer users. The ease of use, increased performance and declining cost of computer hardware and software have resulted in the rapid growth of the number of business and individual personal computer users and the migration of corporate networks from centralized mainframe systems to distributed local and wide area networks based on client/server architectures and, more recently, on peer to peer architectures. The prevalence of client/server networks facilitates the creation and storage of information on numerous computers in dispersed locations and in a wide variety of files and formats. Client/server networks consist of desktop computers (“clients”) that can access powerful computers (“servers”) that store large amounts of information and perform computing functions on behalf of clients. These networks enable dispersed users to communicate with, and access the information and resources of, network computers across traditional geographic and organizational boundaries. As a result, information that is critical to organizations is created, managed and stored on a decentralized basis in numerous sites and in a variety of files and formats.

The growth in the use of online services and the Internet has enabled both organizations and individual computer users to communicate with other users and access large amounts of information published for general public reference or for access by consumers. Much of the growth in the use of the Internet is attributable to the Web. The Web employs a “thin” client/server architecture that, when integrated with “browser” software, enables non-technical users to exploit the capabilities of the Internet. “Thin” clients require significantly reduced resources on users’ desktops than traditional client/server architectures and, through the use of browsers, standardize the look and feel of applications. This results in significantly reduced training and implementation costs and faster deployment of enterprise systems.

In addition to providing access to a vast array of information, the Internet represents a medium through which organizations and individuals can conduct business. The benefits of conducting business on the Internet include direct, immediate communications with consumers, customers, vendors and other parties, increased access to a large and growing universe of organizations and individuals, advertising opportunities and low communication and transaction costs. Ubiquitous access to the Internet in industrialized societies provides an ideal mechanism for workers in multiple locations and organizations to collaborate securely to achieve common goals. In particular, there is a significant opportunity to provide collaborative support for business-to-business commerce over the Web.

Extranets, private Internets that connect an organization with its customers and/or vendor community, have also emerged as a viable solution for streamlining internal and external processes, and meeting many organizations’ growing global collaboration needs. External collaboration with partners and suppliers poses an ongoing challenge, as organizations are required to work from remote locations, across different time zones, often using disparate resources and sources of information. Just as intranets have enabled companies to share information and collaborate across the enterprise, Web-based extranets empower companies to strengthen external communications and increase efficiency by facilitating secure information sharing with partners and associates working outside of the firewall.

The Company believes that the tacit knowledge that is naturally resident in an organization is a valuable capital asset that organizations are increasingly seeking to manage in an effective way. An increasing number of organizations are implementing intranets as an alternative to traditional client/server networks, and expanding these intranets to reach beyond the firewall, to incorporate customer and partner extranets. Accordingly, demand for business-oriented software solutions that support Internet protocols has increased significantly in the past several years.

Need for Enterprise-wide Collaborative Solutions

Many of the critical business activities of an organization involve the use of non-relational data in the preparation or analysis of information. This information is often developed through the collective and coordinated

efforts of many individuals who may work in different departments and geographical locations, or even outside the organization. Workgroups engaged in the preparation of documents and information on an individual or collaborative basis typically rely on unwieldy paper-based and electronic information management systems. Accordingly, managers and workers may have limited access to information, are unable to find relevant information on a timely basis or may work with information and documents that are out of date or the wrong version. In addition, traditional information management systems do not facilitate workgroup communication and collaboration, and force workgroups to rely on staff meetings, memoranda, conference calls, document facsimiles, voice messaging and other traditional methods of information exchange to assign tasks, track progress, discuss questions and problems, make decisions and report results. As a result, group projects may be hindered by incomplete information and a lack of communication and coordination, resulting in inefficiency and sub-optimal work production.

The emergence of intranet and extranet connectivity provides an opportunity for more efficient access to and use of information stored on internal networks, the Internet and the private networks of external organizations with which an organization collaborates. Specifically, intranets can support the formation and management of collaborative workgroups composed of participants inside and outside the organization.

The wealth of information available to individuals through the Internet, intranets and extranets has a downside. Information overload, or the overabundance of information, has made finding specific pieces of information difficult and time consuming. In the consumer market personalized portals have developed as a way to filter information through specialized services.

Corporate portals provide an effective means of controlling and filtering information by delivering or pushing knowledge and information from pre-selected sources to each user. The portal presents useful information from a variety of sources located both inside and outside an organization on one user interface, which may be customized. By combining corporate information with other external information, such as specialized subscription feeds, live news feeds and Web content, corporate portals bring added value to a company's existing intranet. Individual users can establish their own personal preferences based on their current work assignments by selecting the most applicable sources of information, which can then be pre-sorted into industry categories.

Market Opportunity

Information Technology spending is shifting to the development of mission critical e-business applications that encompass and integrate e-transactions, e-supply chain management and customer-facing applications.

Collaborative commerce ("c-commerce") enables multiple enterprises to restructure their business relationships by collaborating online to save time and expenses, generate revenue and solve real business issues. GartnerGroup defines collaborative commerce as "the new model for business applications" and has identified its value in "achieving dynamic collaboration among employees, business partners and customers throughout a trading community." In the new economy, c-commerce applications will replace static Web-enabled supply chain applications as the dominant application model.

The e-business model is comprised of the integration of multiple technologies. Collaboration is a key component of any e-business application and Open Text has positioned itself as a market leader in dynamic collaboration solutions that support e-business applications.

The Company believes that as organizations seek to increase the efficiency of their business processes, they will require software that permits users to find and retrieve information. In addition, the Company believes that an effective software solution will facilitate collaboration and the sharing of information and documents among designated workgroup members. Because an organization's high-value documents and information are stored in increasingly disparate locations and formats, the organization's ability to enable its users to find information, work together and distribute information is an increasingly important element of its competitive advantage. Existing product solutions typically address only discrete parts of the information management problem, such as text retrieval, workflow management, document management or collaborative computing. As a result, the Company believes that organizations and individuals demand an integrated software solution enabling users to complete

knowledge, process and business transactions, increasing the efficiency of an organization and making it more responsive and competitive.

Open Text Solutions

Open Text delivers Web-based solutions that optimize the power of the Web by providing a collaborative work environment that allows organizations to capitalize on their collective knowledge and leverage best practices across the enterprise.

Open Text provides integrated solutions that enable people to use information and technology more effectively at departmental levels and across the enterprise. The Company offers its solutions both as end-user stand-alone products and as fully integrated modules, that together provide a complete solution that is easily incorporated into existing enterprise business systems.

Open Text's Affinity ASP program offers organizations a cost-effective way to deploy and support mission critical applications. An Application Service Provider, or ASP, manages and delivers software application capabilities from a centralized server across a wide area network, allowing organizations to outsource many of the IT services and technology infrastructure required to manage and maintain an intranet or extranet.

For business partners, consultants, and employees who need rapid information sharing, project coordination and workflow functionality to support highly-focused business initiatives, Open Text's ASP Program offers a cost-effective, secure, high-bandwidth solution for instant Web-based collaboration. Based on the Livelink application, the Company's ASP offering is fully Web-based, globally accessible and compatible with existing enterprise business systems.

b2bScene, a division of Open Text Corporation, is a premier online solution provider that offers a suite of hosted services, powered by Livelink, to stimulate and promote successful business-to-business interaction and collaboration between an organization's partners, customers and employees. A collection of integrated community, content, and collaborative commerce services help b2bScene's customers improve the quality, speed and efficiency of each transaction, process and interaction through deeper and stronger business-to-business relationships.

As an extension to its solutions-based offerings, the Company provides professional services, training, documentation and technical support services to accelerate customer implementation of its products.

The Open Text Strategy

Open Text's objective is to leverage and extend its core competency in collaboration. It is this collaborative strength that has put Open Text in a leadership position in Web-based knowledge management applications. The Company aims to extend its leadership position in collaborative commerce solutions and the emerging market defined by the convergence of computerized wireless devices, offering solutions that transcend the intranet and extend along the entire supply chain. Key elements of the Company's strategy are summarized below:

- *To maintain leadership in collaborative commerce applications.* The Company will seek to maintain its leadership in collaborative commerce applications by enhancing its core security and dynamic collaboration features and by building "high" velocity hosted market applications that enable organizations operating as extended enterprises to manage value from partners and alliances. Open Text's objective is to transform networked organizations into hyperlinked organizations where people, information and processes all interconnect, enabling companies to respond quickly to opportunities and market changes.
- *To define a meta-software architecture.* Open Text will actively work towards defining a meta-software architecture that anticipates the trend towards wireless devices that will enable multiple customer touchpoints for the Company's flagship product, Livelink.

- *To build on the Company's Open Interchange Architecture (OIA).* The Company will continue to build on its OIA, allowing it to reach a wider business audience by integrating infrastructure applications and content based on the Livelink framework. OIA will include integration with multiple portals, XML-based interfaces to legacy data stores and applications, interfacing with business-to-business platforms and a distributed component object model.
- *To leverage the success of Livelink.* The Company intends to build on the success of Livelink to develop a larger and more fundamental value proposition for corporations and communities via our corporate portal application, myLivelink. MyLivelink is a Collaborative Corporate Portal that provides personalized access to information from a variety of sources from both inside and outside an organization. The Company's goal is that myLivelink will become "the hub" for navigating various information sources, allowing users to customize access to industry data, consumer links, news feeds, chats, scheduling, conferencing, project collaboration, and more.
- *To extend product lines and develop new features and applications.* The Company is engaged in integrating other technologies and products with its existing technologies and products to increase their capabilities and application to intranets, extranets and the Internet. This includes integrating acquired technologies into the Open Text product family. See "Product Development" and "Risk Factors - New Product Development and Technological Change".
- *To increase market penetration through multiple distribution channels.* The Company has historically sold its products principally through its direct sales force and partners. The Company continues to intensify its direct sales efforts and has increased its direct sales force through new hires and acquisitions. As well, the Company continues to further develop its indirect distribution channel through its Affinity Partner program. The goal of the program is to build a strong team of distributors, VARs, system integrators, solution providers and development partners that incorporate the Company's software into products that provide a specific solution to distinct customer groups or geographical areas.
- *To develop and grow both corporate and product brand equity.* Open Text will be branded as a company that empowers organizations to manage knowledge and accelerate productivity through collaboration. Livelink will be branded as the Company's flagship product that facilitates collaboration and delivers tangible business solutions.
- *To promote and support industry standards.* The Company intends to continue to develop and market products that are consistent with applicable industry standards. The Company actively participates in the Document Management Alliance (a group responsible for developing and monitoring standards in document management), ODMA (a group which specifies a set of interfaces that applications can use to initiate actions within a document management system), and WfMC (a group responsible for promoting and developing the use of workflow through the establishment of standards for software terminology, interoperability and connectivity between workflow products). The Company is also a member of SGML/Open, a consortium of leading SGML technology vendors. The Company's products are based on industry and Web standards including SQL, TCP/IP, HTTP, HTTPS, HTML, PDF, SMTP, Java, XML and ActiveX. As well, Livelink supports most desktop applications and file formats.

Products and Technology

In April 2001, the Company released Livelink Wireless®, a product that delivers one-click access to Livelink's dynamic content and collaboration, allowing users to stay in constant contact with the important events taking place in an organization. This module also allows users to personalize their wireless access. The Livelink Wireless product enables quick and easy configuration of menu items, the set up of shortcuts to favorite Livelink items, and storage of a user's contact file for one-touch dialing and e-mailing from a wireless device.

In November 2000, Open Text released Livelink 9, the latest release of the Company's flagship product. The Livelink Web server runs on a variety of computing platforms, including Microsoft Windows NT, Sun SPARC/Solaris, and Hewlett-Packard HP-UX operating systems. Livelink 9 provides a combination of collaborative knowledge management services, custom workspaces, and a modular architecture with value-added application modules. This latest release of Livelink includes English, French, German and Japanese language versions. Livelink 9 is certified with a variety of relational database management systems: Microsoft SQL Server, Oracle 8i, and Sybase Adaptive Server, HTTP servers (iPlanet Web Server Enterprise Edition, Microsoft Internet Information Server), and Web browsers (Netscape Navigator and Microsoft Internet Explorer).

In March 2000, the Company released myLivelink 1.0.1, which allows users to personalize the organization and display of content from multiple Livelink systems and other information sources. The myLivelink server runs on the Windows NT operating system, and the myLivelink Web-based application has been certified with the Netscape Navigator 4.51 and Microsoft Internet Explorer 4.0/SP1 & 5.0 Web browsers.

Collaborative Management Services

Livelink offers the power of tightly integrated knowledge management services—Knowledge Library Management, Information Retrieval, Virtual Team Collaboration, Business Process Automation, and Collaborative Corporate Portals. Other services, including Enterprise Group Scheduling, Document Collection Management, Library Automation, Records Management and Content Management are available as stand-alone products, or as fully integrated and comprehensive Livelink solutions.

- *Knowledge Library Management* - Open Text's corporate document management technology provides a secure, central repository where organizations store and manage documents and other objects (workflow maps, discussions, tasks or news) in an organized, hierarchical structure. The Knowledge Library is accessible from multiple locations, allowing users to access, browse, search, store and manage virtually any type of object in a controlled, secure environment.

The Knowledge Library includes support for compound documents, document aliases, version control, audit trails, reserve, check-in/out, and eight levels of permission for each object. The technology also allows organizations to create their own custom document categories and attributes.

- *Information Retrieval* - Livelink's Information Retrieval functionality helps users find and access information from anywhere throughout the enterprise—including the corporate information repository, the corporate Web sites and across the Internet. Authorized users have on-demand access to information even if their knowledge base spans distributed and diverse network environments.

More than full-text search and retrieval, Livelink provides an integrated set of information retrieval tools, including intelligent agents and sophisticated reports that give users unprecedented insight into the knowledge, actions and activities being developed throughout an organization.

Livelink's Information Retrieval provides high performance and linear scaling, even across millions of documents and terabytes of information. Livelink allows the organization to build searchable databases of virtually any size by indexing documents, files and other objects in any standard format, including XML, HTML, PDF and other popular file formats. It recognizes that documents are often characterized by complex structures. For example, documents often contain titles, headings, sections, subsections and paragraphs. Open Text's search engine can search any number of different user-defined document structures. It supports SGML and XML, the key international standards for structured documents.

Sophisticated search features include the ability to search a subset of the index ("slices"), contextual/proximity searching, an advanced query builder interface, thesaurus support, word stemming, "sounds like" searching, and a powerful end-user query language. Livelink Data Flows facilitate moving information between Livelink and other data sources (e.g., a user could create a data flow which crawls a number of competitor's Web sites, converts all the information to PDF format, and indexes it as different slices for searching).

- *Virtual Team Collaboration* - Livelink's Virtual Team Collaboration enables people who work together to share information and experiences, and to achieve common business objectives. Every project in Livelink has its own secure project workspace, including a home page, knowledge library, workflows, task lists, channels, discussions, participant list and project outline, to give users and workgroups everything they need to coordinate all aspects of a project. Livelink accommodates every type of project—from ongoing processes such as quality assurance, to short-term events such as joint marketing campaigns with external partners. Livelink projects provide a valuable online focal point for “virtual teams” in either centralized or highly distributed environments worldwide.
- *Business Process Automation* - Open Text’s workflow technology enables users to graphically create, modify, manage and deploy simple or complex business processes. Livelink’s Business Process Automation services route a complete work package to appropriate users, providing the information they need to do their job and to keep projects and processes on track.

Sophisticated workflow features include a graphical Java-based Workflow Designer, serial or parallel routing, rendezvous and loop back conditions, sub-workflows, conditional branching with true/false statements, user dispositions and/or custom workflow attribute values, multiple end points, intelligent electronic forms, milestones, audit trails, and graphical workflow status. For example, Livelink Workflows can manage standard operating procedures such as travel requests, payroll increases and vacation requests.

- *Enterprise Group Scheduling* - Open Text also offers group scheduling and calendaring services for the enterprise. Using *OnTime*™, anyone with a Web browser can access calendar information, schedule meetings, respond to meeting invitations and view public calendars from anywhere on the Internet.

The scheduling technology includes the ability to view, add and modify appointments, group meetings and tasks, notes, attendee lists, RSVP status and meeting frequency, as well as the ability to view and search other people's calendars, event schedules, resource (rooms, rentals, etc.) schedules, or any other schedule "published" to the Web. Daily, weekly and monthly planners provide a detailed listing of a user’s appointments and tasks for the selected day, week or month.

OnTime is available as an integrated enterprise group scheduling Livelink module. Livelink and OnTime integration adds Project and Personal calendar capability to Livelink, enabling Livelink users to keep track of critical project milestones and schedule activities with full knowledge of each participant’s calendar—considerably enhancing Livelink’s virtual team collaboration capabilities.

- *Collaborative Corporate Portals* - myLivelink leverages Livelink’s enterprise collaborative knowledge management functionality by providing users access to business knowledge and team collaboration. myLivelink has been designed to capture Livelink user preferences, including favorites, projects, tasks, discussions and channels. Combined with Livelink and BusinessWeb, myLivelink provides access to high quality, industry-specific information, extending an organization’s reach and transforming its intranet and/or extranet into a one-stop access area for business-critical applications and information.

As a complementary portal interface to Livelink, myLivelink gathers information from internal and external sources and brings it directly to an individual’s desktop. A ‘hub’ for navigating various information sources, myLivelink enables users to personalize access to industry data, enterprise business systems, consumer links, news feeds, and more—all in an easy-to-use, intuitive interface.

- *Document Collections Management* - Open Text also offers the *BASIS*® software product line to support the management of specialized corporate and government document collections. Designed for comprehensive library control, BASIS provides a solution for companies who need access to hybrid document collections consisting of both documents and metadata. Used by major commercial and government information centers, BASIS provides library automation, research and records management, litigation support, intellectual property protection, content management and competitive intelligence.

BASIS is available as a stand-alone product or as part of a fully integrated solution with Livelink. The *Livelink Activator for BASIS*™ integrates the collaborative features of Livelink with the collection management features

of BASIS. This module extends BASIS information management and library automation functionality to fully exploit Livelink's rich collaborative features, enabling users to easily access BASIS library objects and incorporate them into the Livelink environment.

- *Library Automation* - The *Techlib*[™] product is a specific application that utilizes BASIS to automate and integrate the main functions of a corporate or government library. Techlib is an integrated, Web-based solution for managing, automating and delivering a complete range of library services. From access and cataloging to circulation, serials control and acquisitions, Techlib provides users with the ability to manage digital collections and make the corporate library the focus of an organization's knowledge resources.

Techlib can be implemented as a component of BASIS, or as an integrated solution with Livelink, as the *Livelink Cataloged Library*[™] module. Techlib and Livelink integration gives users consolidated access to knowledge resources on the intranet, extranet and in the corporate library, to support decisions, smooth workflow and automate processes.

Web browser interfaces have made BASIS applications more economical to deploy since more people can easily access and exploit the available information. Furthermore, as organizations continue to encounter information overload, library science expertise in subject categorization and classification is being deployed to improve the usability of enterprise intranet and extranet applications.

Open Text believes the BASIS technology is uniquely suited for these types of applications by providing rich capabilities for securely managing bibliographic and full-text information, performing keyword, full-text, and relational queries, building thesauri for vocabulary control and improved retrieval, and extensively validating information and its associated attributes.

- *Records Management* - *iRIMS*[™] gives users comprehensive, full lifecycle management of all corporate records and information holdings, in both paper and electronic format. Fully integrated with Livelink, iRIMS allows users to access records management functions from any standard Web browser. By providing a common interface to access all forms of information, such as images, paper records and other physical objects, word processing, spreadsheets, and e-mail, iRIMS provides an automated system that removes the complexities of electronic records management and streamlines processes for end users.

iRIMS helps global enterprises to secure critical information, ensure file control, consistency, and collaboration by supporting record classification, retention and disposition rules, searching, reporting, and security access. When combined with Livelink, iRIMS brings the control of records management into a larger intranet or extranet environment. This integration allows individuals or groups to easily access and share corporate information.

- *Content Management* - Developing a Content Management System to manage corporate knowledge assets allows organizations to easily find, use and reuse this content in a way that maximizes its value to the organization and minimizes the cost to create, maintain and assemble it for a particular business need. Open Text provides comprehensive services for the conversion of an organization's mainstream publishing system to XML or SGML, an e-business framework using smart XML transactions and forms, and other line-of-business solutions in which XML and SGML play an integral part. Open Text offers comprehensive XML/SGML solutions, *WorkSMART* and *Near & Far*[®] *Designer*, to provide organizations with the tools needed to create their own Content Management System.

Open Text believes that WorkSMART is a toolkit that provides a comprehensive document management, workflow management and application integration environment for the custom deployment of high-end SGML/XML advanced work management systems. Organizations can use WorkSMART to model, automate, and version their structured knowledge elements, to allow the data to be re-organized for multiple use in virtually any business process, using the industry standards SGML and XML.

WorkSMART is designed to meet the challenges of maintaining regulatory compliance, managing millions of pages of documentation over several decades, and ensuring highly accurate mission-critical information.

Open Text believes that Near & Far Designer is a powerful XML modeling and authoring tool for structured information management. During content analysis, content sources are identified and broken down into logically related but independent content components. This modeling is similar to defining the tables, fields and relationships in corporate databases. The content components are connected together in a content model referred to as a Document Type Definition or DTD. Near & Far Designer provides a visual interface for the creation and maintenance of these DTDs.

Near & Far Designer significantly reduces the time and effort required to create an effective content management system. Because Near & Far Designer can be used by those with little or no understanding of XML syntax since most people in an organization can use it.

Development Tools

Livelink is highly scalable, extensible and customizable through the use of the *Livelink SDK™* (Software Development Kit). The Livelink SDK consists of the Livelink Application Program Interface (“API”) and the Livelink Builder, an object oriented application development environment designed specifically for building collaborative intranet solutions. Livelink Builder offers customers the ability to customize and extend the features of Livelink to meet their particular needs. Livelink Builder provides OScript, a robust, Java-like extensible scripting language for developing application logic.

Web-based Modular Architecture

Livelink’s architecture is three-tiered, standards-based and modular to provide organizations with the highest levels of scalability, extensibility, openness and security.

A modular backplane architecture in Livelink lets Open Text and third parties add new functionality to Livelink without having to wait for new releases. New functionality can be added by building a Livelink module with the *Livelink Software Developers Kit (SDK)*. These modules are easily installed, removed and upgraded. When installed, they dynamically register themselves with Livelink and take on the Livelink look and feel, comply with Livelink structures and behave as part of the inherent feature-set of Livelink.

Open Text has designed, developed, and tested solutions that provide significant scalability based on Livelink’s modular architecture.

Advanced Optional Modules

Open Text offers a wide selection of optional modules that enable organizations to easily extend and enhance the functionality of Livelink to suit their evolving business requirements. The following modules are available:

- *Livelink Activator for BASIS™* enables organizations to integrate their corporate library into a collaborative enterprise knowledge network. This module provides an ideal solution for combining the collaborative features of Livelink with the collection management features of BASIS.
- *Livelink Activator for CORBA™Development Kit* enables organizations to create applications that extend Livelink's functionality and integrate Livelink with external systems using Common Object Request Broker Architecture (CORBA) services.
- *Livelink Activator for Lotus Notes™* makes indexing and retrieving information stored within Lotus Notes quick and easy.
- *Livelink Activator for SAP/R3™* allows users to leverage their existing legacy systems, providing seamless connectivity between the Livelink Server and the R/3 System.

- *Livelink Archive for SAP® R/3®*: Certified by SAP, Livelink Archive for SAP R/3 is based on SAP's ArchiveLink® interface, which links SAP applications to external storage systems such as Livelink. Livelink Archive for SAP R/3 enables Livelink to be used as the archive for SAP R/3 documents.
- *Livelink Cataloged Library™* allows organizations to extend the reach of their library and its functionality by making it an integral part of their enterprise knowledge architecture.
- *Livelink Desktop™* enables users to easily access their favorite desktop applications from within Livelink. The Livelink Desktop allows seamless communication between desktop applications and Livelink's Knowledge Library.
- *Livelink Directory Services™* allows organizations to administer users and groups for each Livelink server from within a central directory. This module synchronizes with a central directory service and provides single logon access for network users.
- *Livelink eLink™* can be integrated with any standard e-mail application and enables users to participate in Livelink discussions and receive enhanced e-mail notification of Livelink events.
- *Livelink iRIMS™* transforms Livelink into a Web-based, comprehensive full lifecycle document management and records management solution for the enterprise.
- *Livelink Offline* provides a solution to the connectivity problems that mobile workers face by enabling them to mark selected content in Livelink for offline viewing in Microsoft® Windows® Explorer. While users are online, Livelink Offline replicates marked Livelink content to a cache on users' local drives, all the while ensuring that the most recent document versions are copied. Then, while users are working offline at home or on the road, they can view the local copy of marked Livelink content in Windows® Explorer.
- *Livelink Offlink* allows mobile workers to solve their connectivity problems by using Livelink Offline to view Livelink content offline in Microsoft® Windows Explorer. While online, selected Livelink content is copied to a cache on their personal computer so that they can still work on it later when offline.
- *Livelink Transit Central e-Publisher™* allows users to organize and publish documents or compound documents in Livelink to their intranet, extranet or the Internet as Web publications.
- *Livelink Explorer™* enables users to navigate through the Livelink system with ease using the familiar Microsoft® Windows® Explorer-like drag-and-drop interface. Users can cut, paste, copy and move objects, including document and compound documents, quickly and easily within Livelink.
- *Livelink PDF Forms Professional™* enables organizations and users to collaboratively create, manage and track electronic forms and data integrating them into standard corporate business processes by creating an e-form warehouse in Livelink, reducing costs and improving customer satisfaction.
- *Livelink OnTime™* allows users to schedule group and project team meetings. Fully integrated with Livelink, this module provides users with secure access to other users' personal calendar information, project team calendars and resources.
- *Livelink Prospectors™* allows users to create their own personalized, virtual research assistants. Based on custom user preferences, prospectors scour internal networks and targeted Web sites for information users need to get their jobs done.

- *Livelink Remote Cache™* reduces network traffic and improves access speed for remote users by caching documents, HTML renditions and graphical content at remote sites.
- *Livelink Rendition Robot* automatically renders Microsoft® Office™ documents in PDF and then adds them back into Livelink.
- *Livelink SDK™*—is specifically designed for creating scalable, enterprise-wide, collaborative knowledge management solutions and Livelink SDK provides built-in tools for rapid development and deployment.
- *Livelink Secure Connect* secures user communications using industry-standard cryptographic encryption technology.
- *Livelink Spider™* crawls across an organization's intranet and/or the World Wide Web and automatically finds and indexes new or modified documents, enabling Livelink to maintain an up-to-date, searchable knowledge base.
- *Livelink Wireless* gives mobile professionals access to Livelink's Web-based collaborative features using a variety of handheld and wireless devices, including a Web-enabled WAP or iMode cellular telephone, Palm OS® device or RIM Blackberry™ pager.

Applications of Livelink

Enterprises deploy Livelink applications for a variety of uses, such as:

- Creating and updating operational manuals and safety information in the utilities industry
- Managing compliance with FAA-mandated air-worthiness directives in the airline industry
- Developing and managing proposals in the aerospace industry
- Creating and monitoring clinical trial data and the development of new drug applications in the pharmaceutical industry
- Managing and controlling changes in engineering drawings for the telecommunications industry
- Creating and managing standard operating procedures in the high-tech manufacturing industry
- Managing ISO 9000 compliance accreditation
- Improving customer responsiveness through call center applications in the insurance industry
- Managing the interview process in human resources departments
- Managing the loan approval processes (workflow and document management) in the banking industry
- Managing the claims approval process in the insurance industry
- Managing document publishing processes in the publishing industry
- Managing policy procedures and the dissemination of information in accordance with governmental policies
- Managing the development process for new product releases
- Managing the internal and external document development process related to regulatory reviews

Competition

Open Text's products and services compete both at a functional level and at a market segment level. As a result of Livelink's broad spectrum of functionality, it has a number of competitors for each of its functions. In the market for workflow and document management software, the Company competes with vendors of document management software, including Documentum, Inc., FileNet Corporation, and PC DOCS Group (a division of Hummingbird Communications Ltd.). The Company also competes with collaboration software solutions such as Lotus Notes/Domino, iManage and eRoom products. Open Text has positioned its products in the new and emerging "collaborative commerce" (c-Commerce), "collaborative knowledge management" (CKM) and "Corporate Portal" (CP) market spaces, which are intensely competitive, subject to rapid technological change and which are evolving rapidly. These markets are becoming fiercely competitive as major and smaller industry players jockey for position with offerings that fall into several different segments. The c-Commerce and CKM markets are defined by high-end, specialized document management solutions, collaborative knowledge management applications and e-mail centric messaging systems. The CP market is divided into Data Portals that specialize in providing industry specific information, Information Portals which provide information filtered through expert systems or human intervention, and Collaborative Knowledge Portals which combine the first two types of portals with business process and collaboration tools.

Companies such as Documentum, FileNet, and PC DOCS Group offer highly specialized document management technology suitable for building application-specific document management needs. Companies like Microsoft and IBM/Lotus offer e-mail based collaborative messaging applications.

In April 1996, Microsoft introduced Microsoft Exchange Server which includes "groupware" functions such as search and collaboration. In January 2001, Microsoft introduced SharePoint Portal Server which incorporates document management, search and retrieval functions and a portal development environment in one product. The Company anticipates that Microsoft will in the future provide Internet and intranet software, as well as document management and other collaborative computing software, that will compete directly with the Company's products. IBM/Lotus currently dominates the electronic messaging and calendaring segment with a large installed base of Lotus Notes users.

The Company expects competition to increase in the future as the markets for Open Text's products develop and as additional players enter the market. The Company believes that the principal competitive factors in this market include the ability to provide:

- full support for intranets
- functionality with document management solutions
- integration of document management with workflow management applications and related enabling technologies
- vendor and product reputation
- product quality and performance
- OEM and other relationships with providers of database and information systems to organizations,
- quality of product support and price.

The Company's competitors can be expected to enhance their existing products or to develop new products that will further integrate workflow, document management and collaborative computing features.

Open Text's markets are the subject of intense industry interest, and the Company is aware of numerous other major software developers as well as smaller entrepreneurial companies focusing significant resources on developing and marketing software products and services that may compete with Open Text products and services. Numerous releases of products and services that compete with those of Open Text can be expected in the near future. Certain of the Company's current and potential competitors may bundle their products with other software in a manner that may discourage users from purchasing products offered by Open Text.

Many of Open Text's current and potential competitors in each of its markets have longer operating histories and significantly greater financial, technical and marketing resources, name recognition and installed

product base than the Company. There can be no assurance that the Company will be able to compete effectively with current and future competitors. If significant price competition were to develop, the Company would likely be forced to lower its prices, which could have a material adverse effect on the Company's business, operating results and financial condition.

Sales and Marketing

Open Text employs multiple distribution channels, including direct sales, distributors, OEMs and VARs, in order to market its products.

Direct Sales. The Company employs a direct sales force as the primary method to market its products and component technology. As of June 30, 2001, Open Text's worldwide sales organization consisted of 230 employees located in 107 cities.

Distributors. Open Text has distribution agreements with Canon Inc. and ITX Corporation, pursuant to which each of them markets Open Text products in Japan.

OEMs. Open Text markets its products to select OEMs, including independent software vendors, in order to have its products and technologies embedded in products marketed by manufacturers with better access to specific target markets or large installed customer bases.

Livelink Affinity Partners. Open Text's Affinity partner program has more than 45 Value-Added Resellers (VARs), Solution Providers, Technology Partners, Application Service Providers (ASPs), and Systems Integrators including 4 additions in fiscal 2001. Open Text's Livelink Affinity Partners (VARs, Solution Providers and Developers) re-sell, customize, configure and install the Company's software products with complementary hardware, software and services. In combining these products and services, the VARs are able to deliver complete knowledge management solutions to address specific customer needs.

Sales and marketing expenses for each of the last three fiscal years were \$51.3 million for fiscal 2001, \$42.9 million for fiscal 2000, and \$36.4 million for fiscal 1999.

Customer Support and Professional Services

Open Text believes that its ability to offer a high level of customer support and service is critical to its success. Most of Open Text's customer support service activities are provided through telephone support, and it is able to service most software problems remotely. The Company's major products are typically sold with an annual maintenance contract. The annual maintenance and support fee is typically 18.5% of the list price of the purchased software system and entitles the customer to remote support, product updates and maintenance releases. For additional fees, Open Text offers training and consulting services and provides integration services for the purpose of customizing the Company's software to specific customer needs. Open Text also maintains a "business partner support program" that provides training and support for OEMs and VARs. The Company is expanding its customer support and professional services staff. As of June 30, 2001, Open Text employed 276 customer support and professional service personnel.

Product Development

Open Text intends to pursue its strategy of growing the capabilities of its software offerings through the in-house research and development of new product offerings as well as the addition of technologies and expertise through the acquisition of other companies.

During fiscal 2001, Open Text developed several new product offerings internally, including Livelink Wireless which offers wireless access to Livelink functionality and Livelink Offline, which provides users with access to Livelink data in offline mode. Both of these products are designed to address the needs of mobile users. In May 2001, Open Text announced the development of Livelink MeetingZone, a real-time meeting and collaboration tool that allows valuable meeting content to be captured, searched and reused. In addition, Open Text continues to

develop and release new versions of all of its product offerings. Updates of Livelink, BASIS, Techlib, and iRIMS were all released during fiscal 2001.

As of June 30, 2001, the Company's research and development team included 212 employees. During 2001, through the acquisitions of Bluebird, the BRS search assets of LeadingSide, Open Image, and Base4, the Company acquired new technologies that will be integrated with its Livelink technology with the goal of producing a more diverse product offering. In 2000, Open Text integrated acquired technologies from Microstar and PS Software. In 1999, Open Text integrated acquired technologies from OnTime, Information Dimension's BASIS and Techlib, LAVA Systems' Enabler solution and iRIMS.

Open Text's ability to develop and release new products and product enhancements in a timely manner is subject to a variety of factors, including its ability to solve technical problems, test products and allocate resources among competing priorities of the Company, the availability of development and other resources and personnel and other factors outside the control of the Company. There can be no assurance that Open Text will not experience difficulties that could delay or prevent the successful development, introduction or marketing of new products and product enhancements. See "Risk Factors—New Product Development and Technological Change" and "Forward-Looking Statements".

Intellectual Property Rights

Open Text's original search engine technology was comprised of software owned by the Company or licensed to it. Dr. Gaston Gonnet and Dr. Frank Tompa, inventors of an early version of the search technology, sold all rights to the software and technology to the Company.

Open Text's software products are generally licensed to customers on a nonexclusive basis for internal use in a customer's organization. The Company also grants rights in its intellectual property to third parties that allows them to market certain of the Company's products on a nonexclusive or limited-scope exclusive basis for a particular application of the product(s) or to a particular geographic area. See "Sales and Marketing."

Open Text relies on a combination of copyright, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company has not sought patent protection for its products. Enforcement of the Company's intellectual property rights may be difficult, particularly in some nations outside of the United States and Canada in which the Company seeks to market its products. Certain of the Company's license arrangements have required the Company to make a limited confidential disclosure of portions of the source code for its products, or to place such source code into an escrow for the protection of another party. Despite the precautions taken by the Company, it may be possible for unauthorized third parties to copy certain portions of the Company's products or to reverse engineer or obtain and use information that the Company regards as proprietary. Also, there can be no assurance that the Company's competitors will not independently develop technologies that are perceived to be substantially equivalent or superior to the Company's technologies. The Company's competitive position may be affected by its ability to protect its intellectual properties. Although the Company does not believe it is infringing on the intellectual property rights of others, claims of infringement are becoming increasingly common as the industry develops and related legal protections, including patents, are applied to software products.

There can be no assurance third parties will not assert infringement claims against the Company in the future, or that any such assertion will not result in litigation, which may be costly, or require the Company to obtain a license for the intellectual property rights of others. There can be no assurance that such licenses will be available on reasonable terms or at all.

Investments

Deja.com. As of June 30, 2001, Open Text owned less than 5% of the outstanding share capital of Deja.com, Inc. (formerly Deja News Corporation). Deja.com, Inc. provided an index for searching Internet newsgroups on its own home page, which is listed on Netscape Navigator under the "Directory Search" button. In March 2001, Open Text announced it had written off \$2.2 million of dot-com investments, including its entire investment in Deja.com.

Primedia Inc. During fiscal 1997, the Company acquired a minority equity interest in Primedia Inc. ("Primedia") (formerly About.com, formerly MiningCo.com Inc. and formerly General Internet, Inc.) which originally represented 885,201 shares of common stock. In March 1999, Primedia completed an initial public offering of common stock and its common stock was listed on the NASDAQ Stock Market's National Market. During the fiscal years ended June 30, 2001 and June 30, 2000 the Company sold 8,900 and 876,301 shares of About.com respectively, representing all of its interest in this investment.

Communities.com. During fiscal 2000, Open Text entered into an agreement with Communities.com to invest in Communities.com, and in turn, received the right to purchase Communities.com's advanced chat and interactive communications technology, which the Company expects to incorporate in future versions of Livelink®. In March 2001, Communities.com filed for bankruptcy. In its March 2001 earnings release, Open Text announced it had written off \$2.2 million of Dot-com investments including its entire investment in Communities.com.

Risk Factors

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the Company's limited operating history and losses, increases or decreases in expenses, unproven acceptance of the Company's products and services, risks surrounding the fact that the Company operates in a developing market, risks regarding the integration of acquisitions, risks involving the management of growth, risks regarding competition and new entrants in the market for the Company's products and services, product development risks, risks regarding the recruiting and retention of employees, risks regarding third party software, risks regarding sufficient cash flow being generated from operations, risks relating to intranets, potential fluctuations in quarterly operating results, risks regarding intellectual property rights, risks regarding dependence on key personnel, the volatility of the Company's stock price, the Company's dependence on a limited number of products, dependence on distribution channels, risks associated with international sales, risks of technological change, and litigation risk. Certain of the forward-looking statements contained in this Report are identified with cross-references to this section.

Prospective investors should consider carefully the following factors, as well as all of the other information set forth herein, in evaluating an investment in Open Text's securities.

Limited Operating History; Losses; Accumulated Deficit; Increased Expenses

Open Text was founded in June 1991 and commenced shipment of its initial products in September 1991. Livelink, Open Text's principal product was first released during fiscal 1996. Accordingly, Open Text has only a limited operating history upon which an evaluation of its business and prospects can be based. The Company has incurred net losses in four of the last seven fiscal years. As of June 30, 2001, the Company had an accumulated deficit of \$69.2 million. Some of the Acquired Businesses also sustained substantial losses prior to their acquisition by the Company. There can be no assurance that Open Text can continue to generate further revenue growth, or that any revenue growth that is achieved can be sustained. In addition, Open Text has increased, and plans to increase further, its operating expenses in order to fund higher levels of research and development, increase its sales and marketing efforts, develop new distribution channels, broaden its customer support capabilities and increase its administrative resources with the objective of supporting future growth. To the extent that increases in such

expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected. There can be no assurance that Open Text will continue to sustain profitability. In addition, in view of recent revenue growth, the rapidly evolving nature of its business and markets, its short operating history and its completion of the recent acquisitions of Bluebird, LeadingSide, Open Image, and Base 4, Open Text believes that period-to-period comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Unproven Acceptance of the Company's Products and Services; Developing Market

Open Text is working on the development of improvements to and new versions of Livelink. In the past, the Company has at times experienced longer than anticipated installation times for new products as they were being integrated into customer networks, and problems were discovered with the software, as frequently occurs with new software releases. There can be no assurance that, despite testing by the Company, errors will not be found in new software products or improvements to existing products after release, or, if discovered, that the Company will be able to successfully correct such errors in a timely manner, or at all. If the Company is unable to successfully market its current products and services, develop new software products and services and enhancements to current products and services, correct errors and complete customer installations on a timely basis or complete products and services currently under development, or if the Company's products and services or enhancements do not achieve and sustain market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

The primary market for Open Text's software and services is rapidly evolving. As is typical in the case of a new and rapidly evolving industry, demand for and market acceptance of products and services that have been released recently or that are planned for future release are subject to a high level of uncertainty. If the markets for the Company's products and services fail to develop, develop more slowly than expected or become saturated with competitors, or if the Company's products and services do not achieve and sustain market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

Management of Growth; Integration of Acquisitions

In the past year, Open Text has experienced growth in revenues, research and development activities and product distribution channels. In addition, Open Text's markets have evolved, and continue to evolve, at a rapid pace. The total number of employees of the Company has grown from 292 as of September 1, 1996 to 1103, excluding contractors, as of June 30, 2001. The Company believes that continued growth in the breadth of its product lines and services and in the number of personnel will be required in order to establish and maintain the Company's competitive position. The Company has grown through acquisitions in the past and continues to review acquisition opportunities as a means of increasing the size and scope of its business. In October 2000, Open Text completed the acquisition of Bluebird Systems. In November 2000, Open Text purchased the product business of LeadingSide and also acquired Open Image. In January 2001, Open Text acquired Base4. In September 1999, Open Text completed the acquisition of Microstar. In August 1999, Open Text completed the acquisition of PS Software. See Note 15 of Notes to Consolidated Financial Statements. There can be no assurances that the Company will complete any future acquisitions, and if completed that any further such acquisitions will be successfully integrated into the Company.

Open Text's growth, coupled with the rapid evolution of the Company's markets, has placed, and is likely to continue to place, significant strains on its administrative and operational resources and increased demands on its internal systems, procedures and controls. The Company has focused its efforts on the Livelink product suite and consolidating the operations of Information Dimensions, OnTime, Lava, PS Software, Microstar, Bluebird, LeadingSide, Open Image, and Base4. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview". If the Company completes significant future acquisitions, the need to integrate and manage the business acquired with the business of the Company would add to the demands on the Company's management, resources, systems, procedures and controls. There can be no assurance that the Company's administrative infrastructure, systems, procedures and controls will adequately support the Company's operations or that Company management will be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully penetrate the markets for the Company's products and services and to successfully integrate any business acquisitions in the future. If the Company is unable to manage growth effectively, the Company's business, operating results and financial condition will be materially adversely affected.

New Product Development and Technological Change

Open Text's success will depend on its ability to design, develop, test, market, sell and support new software products and enhancements of current products on a timely basis in response to both competitive products and evolving demands of the marketplace. In addition, new software products and enhancements must remain compatible with standard platforms and file formats. Presently, Open Text is continuing to enhance the capability of Livelink to enable users to form workgroups and collaborate on intranets and the Internet. The Company increasingly must integrate software licensed from third parties with its own software to create or improve intranet and Internet products. These products are key to the success of the Company's strategy, and there can be no assurance that the Company will be successful in developing and marketing these and other new software products and enhancements. If the Company is unable to successfully integrate the technologies licensed from third parties, to develop new software products and enhancements to existing products or to complete products currently under development, or if such integrated or new products or enhancements do not achieve market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

Product Defects and Product Liability

The Company's products are highly complex and sophisticated and, from time to time, may contain design defects or software errors that are difficult to detect and correct. There can be no assurance that errors will not be found in new products after commencement of commercial shipments or, if discovered, that the Company will be able to successfully correct such errors in a timely manner or at all. In addition, despite tests carried out by the Company on all its products, there can be no assurance that the Company will be able to fully simulate the environment in which its products will operate and, as a result, the Company may be unable to adequately detect design defects or software errors inherent in its products and which only become apparent when the products are installed in an end-user's network. The occurrence of errors and failures in the Company's products could result in loss of or delay in market acceptance of the Company's products, and alleviating such errors and failures in the Company's products could require significant expenditure of capital and other resources by the Company. Because the Company's end-user base consists of a limited number of end-users, the reputational harm resulting from product errors and failures would be damaging to the Company. The consequences of such errors and failures could have a material adverse effect on the Company's businesses, results of operations and financial condition. The Company regularly provides a warranty with its products. There can be no assurance that the financial impact of these warranty obligations will not be significant in the future. The Company's agreements with its strategic partners and end-users typically contain provisions designed to limit the Company's exposure to claims, such as exclusions of all implied warranties and limitations on damage remedies and the availability of consequential or incidental damages. However, such provisions may not effectively protect the Company against claims and related liabilities and costs. Although the Company maintains errors and omissions insurance coverage and comprehensive liability insurance coverage, there can be no assurance that such coverage will be adequate or that all claims will be covered. Accordingly, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

Potential Acquisitions, Investments, Joint Ventures and Other Business Initiatives

Open Text continues to seek out opportunities to acquire or invest in businesses, products and technologies that expand, complement or are otherwise related to the Company's current business or products. The Company also considers from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. The Company believes that these efforts may result in the formation, together with third parties, of new business units or joint ventures involving substantial investment of funds and/or technology transfers, the acquisition or disposition of product lines or businesses or other initiatives. Such acquisitions, investments, joint ventures or other business initiatives may involve significant commitments of financial and other resources of the Company. There can be no assurance that any such activity will be successful in generating revenue, income or other returns to the Company, or that financial or other resources committed to such activities will not be lost. Such activities also could place significant strains on the Company's administrative and operational resources and its ability to manage growth.

Third Party Software

Developments of internet and intranet applications by companies, including Open Text, must rely on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as that of Netscape, Microsoft and others. There can be no assurance that if weaknesses in third party software are detected, the Company will be able to correct or compensate for such weaknesses. If the Company is unable to address weaknesses resulting from problems in the infrastructure software such that the Company's products do not meet customer needs or expectations, the Company's business, operating results and financial condition will be materially adversely affected.

Competition; New Entrants

The markets for the Company's products are new, intensely competitive, subject to rapid technological change and evolving rapidly. The Company expects competition to persist, increase and intensify in the future as the markets for the Company's products continue to develop and as additional companies enter each of its markets. Numerous releases of products and services that compete with those of the Company can be expected in the near future. There can be no assurance that the Company will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to other competing products, or significant price competition were to otherwise develop, the Company would likely be forced to lower its prices, which could have a material adverse effect on the Company's business, operating results and financial condition. See "Business of the Company-competition".

Cash Flow from Operations

Open Text's cash and cash equivalents and working capital were \$87.5 million and \$82.0 million respectively, at June 30, 2001. During the year ended June 30, 2001, the Company's operations provided cash in the amount of \$11.8 million. The Company anticipates increased operating expenses in fiscal 2002. During fiscal 2001, the Company repurchased 886,000 common shares in the open market for a total cost of \$21.3 million. In January 2000, the Company repurchased four million common shares in the open market for \$20.00 per share. In May 1999, the Company received net proceeds of \$97 million from a special warrant offering in Canada. The Company regularly evaluates acquisitions, investments, joint ventures and other business initiatives, and cash expenditures for acquisitions, investments, joint ventures and other business initiatives or unanticipated expenses could create a need for additional financing. In addition, if the Company's operations do not generate cash sufficient to satisfy its needs, the Company would require additional financing. There can be no assurance that such financing would be available on reasonable terms, if at all, if required. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Dependence on the Adoption of Intranets; Uncertain Adoption of Intranets

Open Text will rely heavily on the development of markets for products that support or increase the functionality of intranets. Livelink is marketed to organizations with intranets or those that are considering the creation of intranets. There are a number of concerns, including concerns relating to the effectiveness of technologies providing security for information resident on the organization's network, which may inhibit organizations from creating intranets. There can be no assurance that organizations will seek to enable users to collaborate over intranets or that the Company's products will appeal to organizations that do so. If organizations adopting intranets do not select the Company's products, the Company's business, operating results and financial condition will be materially adversely affected.

Potential Fluctuations in Quarterly Operating Results

The Company has experienced, and is likely to continue to experience, significant fluctuations in quarterly operating results caused by many factors, including changes in the demand for the Company's products, the introduction or enhancement of products by the Company and its competitors and market acceptance of those enhancements or products, delays in the introduction of products or enhancements by the Company or its competitors, customer order deferrals in anticipation of upgrades and new products, changes in the Company's pricing policies or those of its competitors, the mix of distribution channels through which products are sold, the mix of products and services sold, the mix of international and North American revenues, foreign currency exchange rates and general economic conditions.

Because the decision by a customer to purchase the Company's products often involves relatively large-scale implementation across the customer's network or networks, sales of these products may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently associated with significant expenditures and lengthy sales cycle and implementation procedures. If installation of the Company's products in one or more customers takes longer than originally anticipated, the date on which revenue from these sales could be recognized could be delayed. Like many other software companies, the Company has generally recognized a substantial portion of its revenues in the last quarter of each year and in the last weeks of each quarter. Accordingly, the cancellation or deferrals of even a small number of purchases or delay in installations of the Company's products could have a material adverse effect on the Company's business, results of operations and financial condition in any particular quarter. The Company also has noted historically lower sales in July and August than in other months, which has resulted in proportionately lower sales in the quarter ended September 30 than in other quarters. Because of the Company's limited operating history, the impact of the timing of product introductions and the rapid evolution of the Company's business and the markets it serves, the Company cannot predict whether seasonal patterns experienced in the past will continue. Due to all of the foregoing, the Company believes that its quarterly operating results could vary significantly in the future.

Intellectual Property Rights

The Company is highly dependent on its ability to protect its proprietary technology. There can be no assurance that the Company's efforts to protect its intellectual property rights will be successful. The Company relies on a combination of copyright, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company has not sought patent protection for its products. Enforcement of the Company's intellectual property rights may be difficult, particularly in some nations outside of the United States and Canada in which the Company seeks to market its products. Despite the precautions taken by the Company, it may be possible for unauthorized third parties, including competitors, to copy certain portions of the Company's products or to reverse engineer or obtain and use information that the Company regards as proprietary. Although the Company does not believe that its products infringe on the rights of third parties, there can be no assurance that third parties will not assert infringement claims against the Company in the future, or that any such assertions will not result in costly litigation or require the Company to obtain a license for the intellectual property rights of third parties. There can be no assurance that such licenses will be available on reasonable terms, or at all.

Dependence on Key Personnel; Recent Changes

The Company's performance is substantially dependent on the performance of its executive officers and key employees. The loss of the services of any of its executive officers or other key employees could have a material adverse effect on the business, operating results and financial condition of the Company. The Company does not maintain "key person" life insurance policies on any of its employees. The Company's success is highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified management, technical and sales and marketing personnel, including recently hired officers and other employees. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract, integrate or retain highly qualified technical and managerial personnel in the future.

Possible Volatility of Stock Price

The market price of the Common Shares has been highly volatile and subject to wide fluctuations. Such fluctuations in market price may continue in response to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many high technology companies and that often have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Common Shares. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such a company. Such litigation could result in substantial costs and a diversion of management's attention

and resources, which would have a material adverse effect on the Company's business, operating results and financial condition.

Dependence on a Limited Number of Products

Substantially all of Open Text's revenues are currently derived from Livelink and related services offered by the Company in the Internet, intranet and extranet markets. Accordingly, the Company's future results of operations will depend, in part, on maintaining and increasing market acceptance of this product and related services, as well as on the Company's ability to continue to enhance these products and services to meet the evolving needs of its customers. A reduction in demand or increase in competition in the market for Internet or intranet applications, or a decline in sales of Livelink and related services, could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business of the Company-Products" and "Business of the Company-Competition".

Dependence on Distribution Channels

While Open Text receives the majority of its revenue from direct sales, a portion of the Company's revenue is derived from the sale of its products through third parties. There can be no assurance that the Company will be able to retain a sufficient number of its existing or future distributors, that such distributors will not give higher priority to the sale of other products (which could include products of competitors) or that these distributors will devote sufficient resources to marketing of the Company's products. The performance of third party distributors is outside the control of the Company and the Company is unable to predict the extent to which these distributors will be successful in marketing and selling the Company's products. A reduction in sales efforts or discontinuance of sales of the Company's products by its distributors could lead to reduced sales and could, as a result, have a material adverse effect on the Company's business, financial condition and results of operations. The Company's success will depend, in part, upon its ability to attract and retain sufficient direct sales personnel, to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. See "Business of the Company -- Sales and Marketing".

Risks Associated with International Sales

Open Text intends to continue to make efforts to increase international sales and anticipates that international sales will account for a significant portion of its revenue. These sales are subject to certain risks and costs associated with international operations, including the difficulty and expense of administering business abroad, compliance with foreign laws, compliance with domestic and international import and export laws and regulations, costs related to localizing products for foreign markets, and costs related to translating and distributing products in a timely manner. Significant international sales may also expose the Company to greater risk from political and economic instability, unexpected changes in Canadian, US or other governmental policies concerning import and export of goods and technology and other regulatory requirements and tariffs and other trade barriers. In addition, while US and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or the United States. Software piracy has been, and can be expected to be, a persistent problem for the software industry. Although to date the Company has not experienced any of the foregoing factors to any significant extent, there can be no assurance that these factors will not be experienced by the Company in the future or that they will not have a material adverse effect on the Company's business, results of operations and financial condition. In addition, international earnings may be subject to taxation by more than one jurisdiction, which could also materially adversely affect the Company's business, financial condition and results of operations.

Item 2. Properties

The Company leases approximately 72,200 square feet of office space in three facilities in Waterloo, Ontario, Canada including its corporate headquarters pursuant to two leases that terminate on June 30, 2003 and one that terminates on June 30, 2006. The Company has extended its lease of approximately 39,000 square feet in its operational headquarters in Bannockburn, Illinois for its product development, marketing, consulting, support, administration and sales operations until April 30, 2004. The Company also leases Canadian field offices in Mississauga, Ontario, Ottawa, Ontario, Winnipeg, Manitoba and Vancouver, British Columbia; US field offices in

Dublin, Ohio, Livonia, Michigan, Redmond, Washington and Carlsbad, California; and international field offices in Amsterdam, The Netherlands; Paris, France; Frankfurt, Germany; Munich, Germany; Beaconsfield, United Kingdom; St. Gallen, Switzerland and Sydney, Australia. The current annualized total rent for the Company is approximately \$4.7 million.

Item 3. Legal Proceedings

None

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers and Directors of the Registrant

The following table sets forth certain information as to the directors and officers of the Company as of June 30, 2001.

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>	<u>Principal Occupation</u>
P. Thomas Jenkins Waterloo, Ontario, Canada	41	Director and Chief Executive Officer	Chief Executive Officer of the Company
John Shackleton Burr Ridge, IL, USA	54	President	President of the Company
Richard C. Black ⁽¹⁾⁽²⁾ Toronto, Ontario, Canada	32	Director	Vice President, Helix Investments (Canada) Inc. (a venture capital company)
Randy Fowle ⁽²⁾ Waterloo, Ontario, Canada	41	Director	Chief Operating Officer and Chief Financial Officer, Inscriber Technology Corporation (a computer software company)
Ken Olisa ⁽¹⁾ Surrey, UK	49	Director	Managing Director, Interregnum Venture Marketing Limited (an Information Technology venture marketing company)
Stephen J. Sadler ⁽²⁾ Aurora, Ontario, Canada	50	Director	Chairman and CEO, Enghouse Systems Limited (a software engineering company)
Michael Slaunwhite ⁽¹⁾⁽²⁾⁽³⁾ Gloucester, Ontario, Canada	40	Director	Chairman and CEO, Halogen Software Inc. (a services and software company)
Paul J. Stoyan ⁽³⁾ Toronto, Ontario, Canada	42	Director	Partner, Gardiner Roberts (a law firm)
Alan Hoverd Toronto, Ontario, Canada	53	Chief Financial Officer	Chief Financial Officer of the Company

Anik Ganguly Northville, Michigan, USA	42	Executive Vice President, Product Management	Executive Vice President, Product Management of the Company
Andrew Pery Orleans, Ontario, Canada	51	Senior Vice President, Global Marketing	Senior Vice President, Global Marketing of the Company
Michael Farrell	47	Worldwide Executive Vice President, Sales	Worldwide Executive Vice President, Sales of the Company

- (1) Member of the Compensation Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance Committee.

P Thomas Jenkins has served as a director of the Company since December 1994 and as Chief Executive Officer of the Company from July 1997. From March 1995 to July 1997, he served as the President of the Company. From January 1995 until March 1995, he served as the acting President of the Company. From July 1994 to June 1996, Mr. Jenkins also served as the Chief Operating Officer of the Company. From August 1993 until June 1994, he served as the Senior Vice President, Sales and Marketing, of DALSA, Inc., an electronic imaging manufacturer. (“DALSA”). From December 1989 until August 1993, Mr. Jenkins served as the Vice President/General Manager of DALSA.

John Shackleton has served as director of the Company since January 1999 and as the President of the Company since November 1998. From July 1996 to 1998. Mr. Shackleton served as President of the Platinum Solution division for Platinum Technology Inc. Prior to that he served as Vice President of Professional Services for the Central U.S. and South America at Sybase, Inc., as Vice President of Worldwide Consulting at ViewStar Corp., a document management imaging company, and he directed several consulting practices for Oracle Systems Corp.

Richard C. Black has served as a director of the Company since December 1993. From 1993 to the present, Mr. Black has served as a Vice President of Helix Investments (Canada) Inc., a venture capital company. Mr. Black also serves as a director of CRS Robotics Corporation and numerous private companies.

Randy Fowlie has served as a director of the Company since March 1998. From June 1999 to present, Mr. Fowlie has held the position of Chief Operating Officer and Chief Financial Officer of Inscriber Technology Corporation. From February 1998 to June 1999, Mr. Fowlie was the Chief Financial Officer of Inscriber Technology, a computer software company. Prior to that, Mr. Fowlie worked with KPMG Chartered Accountants since 1984 and was a tax partner since 1995 and the head of the firm’s Information, Communication and Entertainment practice in the Kitchener/Waterloo, Cambridge and Guelph offices. Mr. Fowlie is currently a member of the board of CTT Communitech Technology Association and is a member of the Canadian Tax Foundation.

Ken Olisa has served as a director of the Company since January 1998. Mr. Olisa has been Chairman & CEO of Interregnum Plc., an information technology advisory and investment company since 1992. From 1981 to 1992, Mr. Olisa held various positions with Wang Laboratories Inc., lastly that of Senior Vice President and General Manager, Europe, Africa and Middle East. Mr. Olisa is a director of Link Software (which is quoted on the Belgian exchange of Euro.nm), in addition to several privately held information technology companies. Mr. Olisa also chairs the boards of Metapraxis Ltd, Datapoint Group and Catalyst Solutions Ltd. Mr. Olisa serves as a Commissioner for the UK Postal Services Commission.

Stephen J. Sadler has served as a director of the Company since September 1997. From April 2000 to present, Mr. Sadler has served as the Chairman and CEO of Enghouse Systems Limited, a software engineering company that develops GIS (Geographic Information Systems). Mr. Sadler was previously the Executive Vice

President and Chief Financial Officer of GEAC from 1987 to 1990, as President and Chief Executive Officer of GEAC from 1990 to 1996, as Vice Chairman of GEAC from 1996 to 1998, and a Senior Advisor to GEAC on acquisitions until May 1999. Prior to Mr. Sadler's involvement with GEAC, he held executive positions with Phillips Electronics Limited and Loblaw's Companies Limited. Currently Mr. Sadler is Chairman of Helix Investments, a position he has held since early 1998. Mr. Sadler is also currently a director of Enghouse Systems Limited and Cyberplex Inc., as well as being a director of several private companies in the high tech industry.

Michael Slaunwhite has served as a director of the Company since March 1998. Mr. Slaunwhite has served as CEO and Chairman of Halogen Software Inc., a leading vendor of products and services to the groupware marketplace, from 2000 to present, and as President and Chairman from 1995 to 2000. From 1994 to 1995, Mr. Slaunwhite was an independent consultant to a number of companies assisting them with strategic and financing plans. Mr. Slaunwhite was Chief Financial Officer of Corel Corporation from 1988 to 1993.

Paul J. Stoyan has served as a director of the Company since January 1998. Mr. Stoyan has been a partner in the law firm of Gardiner Roberts since 1993 specializing in the areas of corporate/commercial and finance law with an emphasis on mergers and acquisitions. Mr. Stoyan has acted as legal counsel to a number of large and medium-sized corporations in Canada and abroad and has also worked extensively with various venture capitalists and start-up companies.

Alan Hoverd was appointed Chief Financial Officer of Open Text Corporation in April 2000. He joined the Company as the Vice President of Finance in July 1999. Mr. Hoverd has over twenty-three years of high tech experience, including five years as Vice President of Finance, Chief Financial Officer and a Director of Digital Equipment of Canada. He was also Manager of Business Planning for ten years at Digital Equipment of Canada. Mr. Hoverd has held several financial positions with IBM Canada, including Manager of Finance for the Storage and Peripherals division, and five years as Controller of Gulf Minerals of Canada.

Anik Ganguly was appointed Executive Vice President, Product Management in September 1999. He has been with Open Text since December of 1997, when the Company acquired Campbell Services Inc. where Mr. Ganguly was President and CEO. From 1991 to 1997, he has been involved in Enterprise Software development and, in particular, the application of Internet standards to facilitate collaboration and communication across corporate boundaries. Mr. Ganguly has chaired an Internet Engineering Task Force working group and continues to be a strong proponent of open standards. Mr. Ganguly has a Bachelor of Engineering degree in Mechanical Engineering and received his MBA from the University of Wisconsin, Madison.

Andrew Pery came to Open Text through the acquisition of Microstar Software in September of 1999, where he served as Chief Operating Officer. He was appointed Vice President, Global Marketing for Open Text in January 2000 and Senior Vice President of Global Marketing in May 2001. Mr. Pery has over twenty years of sales and marketing experience, including eight years as Sales Manager with Fulcrum where he built a highly successful regional sales operation in the United States before accepting the position of Director of Product Marketing for Fulcrum. Mr. Pery played a pivotal role in the successful launch of the Fulcrum Knowledge Network product. He obtained his BA in History and Political Science at Loyola of Montreal and studied Law at the University of London.

Michael Farrell has been with Open Text since 1992 and has served as Executive Vice President, Global Business Development, based in the San Francisco, California office, since October of 1994. After a number of years in software consulting, marketing and sales, he founded Interleaf's Canadian-based operation in 1985, using Canadian Venture Capital funding. As President of Interleaf Canada, Mr. Farrell expanded the operation to four offices and fifty-five employees. He now serves as Worldwide Executive VP of Sales. Mr. Farrell graduated with an honors degree in Computer Science in 1976.

PART II

Item 5. Market for Registrant's Common Equity and Related Stock Matters

The Common Shares have traded on the NASDAQ National Market since January 23, 1996 under the symbol "OTEX". The Common Shares have traded on the Toronto Stock Exchange ("TSE") since June 26, 1998 under the symbol "OTC". The following table sets forth the high and low sales prices for the Common Stock, as reported by NASDAQ and the TSE, for the periods indicated below.

On June 30, 2001, the closing price of the Company's Common Stock on NASDAQ was \$23.47 USD per share. On June 30, 2001, the closing price of the Company's Common Stock on the TSE was \$35.65 CDN per share.

	<u>Nasdaq</u>		<u>TSE</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	(in U.S. dollars)		(in Canadian dollars)	
Year Ending June 30, 2001				
Fourth Quarter	\$ 27.04	\$ 15.75	\$ 41.19	\$ 25.00
Third Quarter	36.56	17.00	55.15	27.07
Second Quarter	26.44	16.50	40.25	25.80
First Quarter	29.88	18.13	44.35	27.75
Year Ending June 30, 2000				
Fourth Quarter	\$ 33.75	\$ 17.00	\$ 45.00	\$ 27.45
Third Quarter	60.63	17.88	\$ 80.00	\$ 26.50
Second Quarter	24.38	9.50	\$ 35.10	\$ 16.75
First Quarter	34.25	19.44	\$ 50.40	\$ 29.00

On August 31, 2001, the closing price of the Company's Common Stock on NASDAQ was \$23.81 per share. As at August 31, 2001, there were approximately 6,200 shareholders of record of the Company's Common Stock. As at August 31, 2001, there were approximately 2,100 U.S. shareholders of record, holding 7,116,592 shares of Common Stock.

Exchange Controls and Other Limitations Affecting Holders of Common Shares

Dividend Policy

The Company has never paid cash dividends on its capital stock. The Company currently intends to retain earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future.

Investment Canada Act

Canada has no system of exchange controls. There is no law, government decree or regulation in Canada restricting the export or import of capital or affecting the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than withholding tax requirements. See "Certain Tax Considerations — Canadian Federal Income Tax Considerations".

There is no limitation imposed by Canadian law or by the articles or other charter documents of the Company on the right of a non-resident to hold or vote Common Shares or Preferred Shares of the Company with voting rights (collectively, "Voting Shares"), other than as provided in the Investment Canada Act (the "Investment Act"), as amended by the World Trade Organization Agreement Implementation Act (the "WTOA Act"). The Investment Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture that is not a "Canadian," as defined in the Investment Act (a "non-Canadian"), unless, after review, the minister responsible for the Investment Act is satisfied that the investment is likely to be a net benefit to Canada. An investment in Voting Shares of the Company by a non-

Canadian (other than a “WTO Investor,” as defined below) would be reviewable under the Investment Act if it were an investment to acquire control of the Company, and the value of the assets of the Company were \$5.0 million or more. Except for certain economic sectors with respect to which the lower threshold would apply, an investment in Voting Shares of the Company by a WTO Investor would be reviewable under the Investment Act if it were an investment to acquire direct control of the Company, and the value of the assets of the Company equaled or exceeded \$172 million. A non-Canadian, whether a WTO Investor or otherwise, would acquire control of the Company for purposes of the Investment Act if he or she acquired a majority of the Voting Shares of the Company. The acquisition of less than a majority, but at least one-third of the Voting Shares of the Company, would be presumed to be an acquisition of control of the Company, unless it could be established that the Company was not controlled in fact by the acquirer through the ownership of Voting Shares. In general, an individual is a WTO Investor if he or she is a “national” of a country (other than Canada) that is a member of the World Trade Organization (“WTO Member”) or has a right of permanent residence in a WTO Member. A corporation or other entity will be a WTO investor if it is a “WTO investor-controlled entity” pursuant to detailed rules set out in the Investment Act. The United States is a WTO Member.

Certain transactions involving Voting Shares of the Company would be exempt from the Investment Act, including: (a) an acquisition of Voting Shares of the Company if the acquisition were made in connection with the person’s business as a trader or dealer in securities; (b) an acquisition of control of the Company in connection with the realization of a security interest granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Act; and (c) an acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization, following which the ultimate direct or indirect control of the Company, through the ownership of voting interests, remains unchanged.

Canadian Federal Income Tax Considerations

The following summary is based upon the current provisions of the *Income Tax Act* (Canada) (the “ITA”) and the regulations thereunder, all proposed amendments to the ITA and the regulations thereunder publicly announced by the Department of Finance, Canada prior to the date hereof, the current published administrative and assessing practices of the Canada Customs and Revenue Agency (“CCRA”), and the Canada-United States Income Tax Convention (1980), as amended by the 1983, 1984, 1995 and 1997 Protocols thereto (the “Convention”). Except for the foregoing, this summary does not take into account or anticipate changes in the law or the administrative or assessing practices of the CCRA whether by legislative, governmental or judicial action and does not take into account or anticipate provincial, territorial or foreign tax considerations.

This summary relates to the principal Canadian income tax considerations under the ITA and the regulations thereunder generally applicable to purchasers of Common Shares hereunder who: (i) for purposes of the ITA, are not, have not been and will not be or be deemed to be resident in Canada at any time while they held or hold Common Shares, deal at arm’s length with the Company, will hold their Common Shares as capital property, and do not use or hold, and will not and will not be deemed to use or hold their Common Shares in, or in the course of carrying on a business in Canada through a permanent establishment or in connection with a fixed base in Canada, and (ii) for purposes of the Convention, are residents of the United States and not residents of Canada.

Amounts in respect of Common Shares paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends to a non-resident holder will generally be subject to Canadian non-resident withholding tax. Such withholding tax is levied at a basic rate of 25%, which may be reduced pursuant to the terms of an applicable tax treaty between Canada and the country of residence of the non-resident holder. Currently, under the Convention, the rate of Canadian non-resident withholding tax on the gross amount of dividends beneficially owned by a person who is a resident of the United States for the purpose of the Convention and who does not have a “permanent establishment” or “fixed base” in Canada is 15% except where such beneficial owner is a company which owns at least 10% of the voting stock of the Company (in which case the rate of such withholding is 5%).

A purchase of Common Shares by the Company (other than a purchase of Common Shares by the Company on the open market in the manner in which shares would be purchased by any member of the public in the open market) will give rise to a deemed dividend under the ITA equal to the difference between the amount paid by the Company on the purchase and the paid-up capital of such shares determined in accordance with the ITA. The

paid-up capital of such shares may be less than the non-resident holder's cost of such shares. Any such dividend deemed to have been received by a non-resident holder would be subject to a non-resident withholding tax as described above. The amount of any such deemed dividend will reduce the proceeds on disposition of the Common Shares to the non-resident holder for purposes of computing the amount of the non-resident holder's capital gain or loss under the ITA.

A holder who is not resident in Canada for purposes of the ITA will generally not be subject to tax under the ITA in respect of any capital gain or entitled to deduct any capital loss realized on a disposition of Common Shares unless at the time of such disposition such Common Shares constitute "taxable Canadian property" of the holder for purposes of the ITA and the holder is not entitled to relief under the Convention. If the Common Shares are listed on a prescribed stock exchange (which includes the NASDAQ National Market) at the time they are disposed of, they will generally not constitute "taxable Canadian property" of the non-resident holder at the time of a disposition of such shares unless such holder uses or holds or is deemed to use or hold such shares in or in the course of carrying on business in Canada or, at any time during the five year period immediately preceding the disposition of the Common Shares, 25% or more of the issued shares of any class or series of the Company were owned by the non-resident holder, by persons with whom the non-resident holder did not deal at arm's length or by the non-resident holder and persons with whom the non-resident holder did not deal at arm's length. In any event, under the Convention, gains derived by a resident of the US from the disposition of Common Shares will generally not be taxable in Canada unless such US resident has a permanent establishment or fixed base in Canada or unless the value of the Common Shares is derived principally from real property situated in Canada.

When a non-resident holder dies holding Common Shares, such holder will be deemed to have disposed of such Common Shares for an amount equal to the fair market value thereof immediately before such holder's death and will be subject to the tax treatment with respect to dispositions described above. Any person who acquires such Common Shares as a consequence of the death of such holder will be deemed to have acquired such shares for their fair market value at that time.

United States Federal Income Taxation

The following discussion summarizes certain US federal income tax considerations relevant to an investment in the Common Shares by individuals and corporations who, for income tax purposes, are resident in the US and not in Canada, hold Common Shares as capital assets, do not use or hold the Common Shares in carrying on a business through a permanent establishment or in connection with a fixed base in Canada and, in the case of individual investors, are also US citizens (collectively, "Unconnected US Shareholders"). The tax consequences of an investment in the Common Shares by investors who are not Unconnected US Shareholders may be expected to differ substantially from the tax consequences discussed herein. The discussion is based upon the provisions of the US Internal Revenue Code of 1986, as amended (the "Code"), the existing and proposed treasury regulations promulgated thereunder, the Convention, the administrative practices published by the US Internal Revenue Service ("IRS"), and US judicial decisions, all of which are subject to change. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The discussion does not take into account the tax laws of the various state and local jurisdictions of the US.

Unconnected US Shareholders generally will treat the gross amount of dividends paid by the Company equal to the US dollar value of such dividends on the date the dividends are received or treated as received (based on the exchange rate on such date), without reduction for the Canadian withholding tax, as dividend income for US federal income tax purposes to the extent of the Company's current and accumulated earnings and profits. However, the amount of Canadian tax withheld (and, with respect to the foreign tax credit, in the case of certain US shareholders that are corporations owning 10% or more of the Common Shares, a portion of the Canadian income tax paid by the Company) generally will give rise to a foreign tax credit or deduction for US federal income tax purposes. Investors should be aware that dividends paid by the Company generally will constitute "passive income" for purposes of the foreign tax credit, which could reduce the amount of foreign tax credit available to a US shareholder. The Code applies various limitations on the amount of foreign tax credit that may be available to a US taxpayer. Investors should consult their own tax advisors with respect to the potential consequences of those limitations. Dividends paid on the Common Shares will not generally be eligible for the "dividends received" deduction. An investor which is a corporation may, under certain circumstances, be entitled to a 70% deduction of

the US-source portion of dividends received from the Company if such investor owns shares representing at least 10% of the voting power and value of the Company. To the extent that distributions exceed current and accumulated earnings and profits of the Company, they will be treated first as a return of capital, up to the investor's adjusted basis in Common Shares and thereafter as gain from the sale or exchange of the Common Shares.

In the case of foreign currency received as a dividend that is not converted by the recipient into US dollars on the date of receipt, an Unconnected US Shareholder will have a tax basis in the foreign currency equal to its US dollar value on the date the dividends are received or treated as received. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including an exchange for US dollars, will be ordinary income or loss.

The sale of Common Shares generally will result in the recognition of gain or loss to the holder in an amount equal to the difference between the amount realized and the holder's adjusted basis in the Common Shares. The tax basis will initially equal its cost to the Unconnected US Shareholder, as reduced by any distributions on the shares treated as return of capital. The Unconnected Shareholder will be taxed on the net amount of his or her capital gain at a maximum rate of 20% provided the Common Shares were held for more than 12 months. The rate for capital gains on shares held for more than five years is generally 18% if the shares are acquired after December 31, 2000 (or, in the case of shares that are acquired pursuant to an option, such shares are acquired pursuant to an option granted after December 31, 2001). Special rules (and generally lower maximum rates) apply to individuals in lower tax brackets. These reduced rates also apply for AMT purposes.

Corporate capital losses are deductible to the extent of capital gains. Non-corporate taxpayers may deduct excess capital losses, whether short-term or long-term, up to an additional US\$3,000 a year (US\$1,500 in the case of a married individual filing separately). Non-corporate taxpayers may carry forward unused capital losses indefinitely. Unused capital losses of a corporation (other than a Subchapter S corporation) may be carried back three years and carried forward five years.

In general, dividends paid on Common Shares and payments of the proceeds of a sale of Common Shares, paid within the US or through certain US-related financial intermediaries, are subject to information reporting and may be subject to backup withholding at a 31% rate (or lower rate then in effect as established by the Economic Growth and Tax Relief Reconciliation Act of 2001) unless (i) the payor is entitled to, and does in fact, presume that the Unconnected US Shareholder of common shares is a corporation or other exempt recipient or (ii) the Unincorporated US shareholder provides a taxpayer identification number on a properly completed Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding will be allowed as a credit against an Unconnected US Shareholder's US federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the IRS.

Personal Holding Companies

A corporation, whether a US corporation or non-US corporation, may be classified as a personal holding company (a "PHC") for US federal income tax purposes if both of the following tests are satisfied: (i) if at any time during the last half of the Company's taxable year, five or fewer individuals (without regard to their citizenship or residency) own or are deemed to own (under certain attribution rules) more than 50% of the stock of the corporation by value (the "PHC Ownership Test") and (ii) such non-US corporation receives 60% or more of its U.S. related gross income, as specifically adjusted, from certain passive sources such as royalty payments (the "PHC Income Test"). Such a corporation is taxed (currently at a rate of 39.6%, or a lower rate than in effect as established by the Economic Growth and Tax Relief Reconciliation Act of 2001) on its undistributed PHC income, in addition to "regular" income tax. The foreign tax credit is not allowed against PHC income.

The Company does not believe that it is currently a PHC. If the Company were to be classified as a PHC, it would be taxed (currently at rate of 39.6%, or a lower rate than in effect as established by the Economic Growth and Tax Relief Reconciliation Act of 2001) on its undistributed PHC income, in addition to "regular" income tax. The foreign tax credit is not allowed against PHC income.

Foreign Personal Holding Company

A non-US corporation (other than tax-exempt organizations and certain banks) may be classified as a foreign personal holding company (an “FPHC”) for US federal income tax purposes if both of the following tests are satisfied: (i) at any time during the Company’s taxable year, five or fewer individuals who are US citizens or residents own or are deemed to own (under certain attribution rules) more than 50% of all classes of the corporation’s stock measured by voting power or value (the “FPHC Ownership Test”) and (ii) the corporation receives at least 60% (50% in later years) of its gross income (regardless of source), as specifically adjusted, from certain passive sources (the “FPHC Income Test”). If the corporation owns, directly or indirectly, at least 25% by value of the stock of another corporation, it will be treated as if it holds directly its proportionate share of assets, and receives directly its proportionate share of income of such other corporation. Accordingly, the classification of the Company as an FPHC in any taxable year will depend on the character of the income and the assets of the Company and its subsidiaries.

The Company does not believe that it is currently an FPHC. If the Company were to be classified as an FPHC, a portion of its “undistributed foreign personal holding company income” (as defined for US federal income tax purposes) would be imputed to all of its shareholders who are US holders of Common Shares on the last day of the Company’s taxable year, or, if earlier, the last day on which it is classified as an FPHC. Such income would be taxable as a dividend, even if no cash dividend is actually paid. US holders who dispose of their Common Shares prior to such date would not be subject to tax under these rules.

Passive Foreign Investment Company

A non-US corporation will be classified as a passive foreign investment company (a “PFIC”) for US federal income tax purposes if it satisfies either of the following two tests: (i) 75% or more of its gross income for the taxable year is “passive income” (generally, interest, dividends, royalties, rent and similar income, and gains on disposition of assets that generate such income) or (ii) 50% or more of its assets produce or are held for the production of passive income on average for the taxable year (by value or, if the Company so elects, by adjusted basis). If the corporation owns, directly or indirectly, at least 25% by value of the stock of another corporation, it will be treated as if it holds directly its proportionate share of assets, and receives directly its proportionate share of income of such other corporation. Accordingly, the classification of the Company as a PFIC in any taxable year will depend on the character of the income and the assets of the Company and its subsidiaries.

The Company does not believe that it is currently a PFIC. If the Company were to be a PFIC for any taxable year, US investors would be required either (i) at disposition or when such investor receives an “excess distribution”, to pay a penalty tax equivalent to US federal income tax at ordinary income rates, calculated as if any gain on that sale were realized (or the excess distribution were made) ratably over that holding period, plus an interest charge on taxes that are deemed due during the period that the investor owned that stock, or (ii) if a Qualified Electing Fund (“QEF”) election is made, to include currently in their taxable income certain undistributed amounts of the Company’s income.

Controlled Foreign Corporation

If more than 50% of the voting power of all classes of stock or the total value of the stock of the Company is owned, directly or indirectly, by citizens of the US, US domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom owns 10% or more of the total combined voting power of all classes of stock of the Company (“10% US Shareholders”), the Company could be treated as a “controlled foreign corporation” under Subpart F of the Code. This classification would have many complex results, including the required inclusion by such 10% US Shareholders in income of their pro rata shares of “Subpart F income” (as specifically defined by the Code) of the Company. In addition, under Section 1248 of the Code, gain from the sale or exchange of Common Shares by a holder who is or was a 10% US Shareholder at any time during the five-year period ending with such sale or exchange would be treated as dividend income (treated for US tax purposes as ordinary income rather than capital gain) to the extent of earnings and profits of the Company attributable to the stock sold or exchanged. The Company does not believe that it is currently a controlled foreign corporation.

Item 6 - Selected Consolidated Financial Data

The following table sets forth selected consolidated financial data of the Company for the periods indicated. The financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the Consolidated Financial Statements of the Company.

	Fiscal Year Ended June 30,				
	<u>2001⁽²⁾</u>	<u>2000⁽²⁾</u>	<u>1999⁽²⁾</u>	<u>1998⁽²⁾</u>	<u>1997</u>
	(in thousands, except per share data)				
Statement of Operations Data:					
Total revenues	\$ 147,699	\$ 112,945	\$ 92,537	\$ 45,300	\$ 22,648
Gross Profit	109,224	80,309	72,713	36,246	15,169
Operating expenses:					
Research and development	24,311	17,743	11,373	7,906	6,612
Sales and marketing	51,317	42,928	36,441	21,906	16,638
General and administrative	13,191	19,832	5,921	4,645	4,648
Depreciation	5,178	4,586	4,225	2,374	1,689
Amortization of intangible assets	5,460	2,962	2,194	618	-
Acquired in-process research and development and write down of intangible assets	-	-	3,419	7,978	-
Restructuring reserve	-	1,774	329	-	650
Total operating expenses	<u>99,457</u>	<u>89,825</u>	<u>63,902</u>	<u>45,427</u>	<u>30,237</u>
Income (loss) from operations	9,767	(9,516)	8,811	(9,181)	(15,068)
Other income (loss)	(2,417)	48,965	427	280	57
Interest income	4,736	6,161	2,342	1,745	1,944
Interest expense	<u>(61)</u>	<u>(109)</u>	<u>(47)</u>	<u>(125)</u>	<u>(148)</u>
Income (loss) before income taxes	12,025	45,501	11,533	(7,281)	(13,215)
Provision for (recovery of) income taxes	<u>1,229</u>	<u>20,422</u>	<u>(8,637)</u>	<u>(1,000)</u>	<u>-</u>
Net income (loss) for the year	<u>\$ 10,796</u>	<u>\$ 25,079</u>	<u>\$ 20,170</u>	<u>\$ (6,281)</u>	<u>\$ (13,215)</u>
Net income (loss) per share, basic	<u>\$ 0.54</u>	<u>\$ 1.12</u>	<u>\$ 0.96</u>	<u>\$ (0.36)</u>	<u>\$ (0.78)</u>
Net income (loss) per share, diluted	<u>\$ 0.50</u>	<u>\$ 1.03</u>	<u>\$ 0.85</u>	<u>\$ (0.36)</u>	<u>\$ (0.78)</u>
Weighted average Common Shares outstanding ⁽¹⁾ , basic	<u>20,032</u>	<u>22,349</u>	<u>20,914</u>	<u>17,680</u>	<u>16,866</u>
Weighted average Common Shares outstanding ⁽¹⁾ , diluted	<u>21,466</u>	<u>24,421</u>	<u>23,729</u>	<u>17,680</u>	<u>16,866</u>

	June 30,				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 87,526	\$ 113,918	\$ 140,256	\$ 40,390	\$ 31,762
Working capital	82,030	98,008	197,595	39,640	32,902
Total assets	175,002	183,250	264,774	100,582	52,345
Long-term liabilities	-	-	-	-	-
Shareholders' equity	133,027	137,983	232,825	73,074	42,455

Footnotes to Selected Financial Data:

- (1) See Note 2 of Notes to Consolidated Financial Statements for a description of the calculation of the weighted average number of Common Shares outstanding used in computing net income (loss) per share.
- (2) Reflects the results of the Acquired Businesses in 2001, 2000, 1999 and 1998 from the time of acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and Note 15 of Notes to Consolidated Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

"Forward-Looking Statements". Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance or the outcome of litigation (often, but not always, using

words or phrases such as “believes”, “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate” or “intends” or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken or achieved) are not statements of historical fact and may be “forward looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company’s business or its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the Company’s limited operating history and losses, increases in expenses, unproven acceptance of the Company’s products and services, risks involving the management of growth, risks of acquisitions, including risks involved in integrating recent and future acquisitions and acquired products into the Company’s business, competition and new entrants in the market for the Company’s products and services, product development risks, risks of technological change, litigation risk and the Company’s liquidity and capital resources. Litigation and arbitration proceedings are inherently uncertain and can be affected by newly discovered evidence or documents, the assertion of new claims or legal theories and other factors that make it difficult to predict the outcome of litigation with certainty. Additional risk and uncertainties are described in connection with certain of the forward-looking statements under “Overview”. Forward-looking statements are based on management’s current plans, estimates, opinions and projections, and the Company assumes no obligation to update forward-looking statements if assumptions of these plans, estimates, opinions or projections should change.

Overview

The Company’s financial statements are prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”) and are presented in United States dollars unless otherwise indicated. All references in this report to financial information concerning the Company refer to such information in accordance with US GAAP and all dollar amounts in this report are in United States dollars unless otherwise indicated.

Open Text develops, markets, licenses and supports collaborative knowledge management application software for use on intranets, extranets and the Internet, enabling users to find electronically stored information, work together in creative and collaborative processes, perform group calendaring and scheduling and distribute or make available to users across networks or the Internet the resulting work product and other information. The Company’s principal product line, *Livelink*, is a scaleable collaborative network application that integrates several modular engines including, but not limited to, search, collaboration, workflow, group calendaring and scheduling, and document management. The Company’s search engine enables users to transparently search vast amounts of data stored in a wide variety of formats and in disparate locations, including World Wide Web sites. The Company’s collaboration, workflow and document management engines enable users to establish and manage knowledge and document-oriented collaborative work processes that involve a diversity of workers, computing platforms and data. The Company’s group calendaring and scheduling enables users to quickly schedule personal and group meetings, reserve conference rooms and add tasks to other users’ lists of things to do. In addition, the Company’s products enable organizations to flexibly manage the distribution and availability of information. The Company has focused its efforts on its intranet-related software and services to provide collaborative knowledge management solutions for use on intranets and extranets.

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company’s prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies seeking to introduce new products into new and rapidly evolving markets characterized by intense competition. To address these risks and uncertainties, the Company must, among other things, successfully market its existing products and technologies and complete and introduce products and product enhancements under development in a timely manner, continue to upgrade and commercialize its technologies, compete effectively with a large number of technologically sophisticated and well-financed companies, attract, retain and motivate highly qualified personnel, manage rapid growth and integrate personnel, technologies and operations of acquired businesses. There can be no assurance that the Company will successfully address these challenges.

The Company has incurred losses from operations in four of its last seven fiscal years and as at June 30, 2001, had an accumulated deficit in shareholders’ equity of \$69.2 million.. In fiscal 2001, the Company recorded

license revenue of \$73.8 million, its largest amount to date, fueled by a significant increase in new accounts, as well as strong sales of additional licenses to existing customers. The Company achieved profitability in fiscal 2001 for the third straight year. In addition, cash and cash equivalents remain strong at \$87.5 million, with positive cash flow from operations. During the year the Company completed a buy-back of 886,000 common shares in the open market for a total purchase price of \$21.3 million. The Company's days sales outstanding (DSO) has remained steady, up slightly from 75 days at June 30, 2000 to 76 days at June 30, 2001. Segmented information to the financial statements is presented in Note 13 to the Company's financial statements.

Results of Operations

During the year ended June 30, 2001, the Company had net income of \$10.8 million, or \$.50 per share on a fully-diluted basis.

The following table presents, for the periods indicated, certain components of the selected financial data of the Company as a percentage of total revenues:

	<u>Year Ended June 30,</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenues:					
License & networking	50.0 %	51.0 %	58.0 %	65.4 %	60.6 %
Customer support & service	<u>50.0</u>	<u>49.0</u>	<u>42.0</u>	<u>34.6</u>	<u>39.4</u>
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
License & networking	4.0	2.4	2.0	3.3	3.7
Customer support & service	<u>22.1</u>	<u>26.5</u>	<u>19.4</u>	<u>16.7</u>	<u>29.3</u>
Total cost of revenues	<u>26.1</u>	<u>28.9</u>	<u>21.4</u>	<u>20.0</u>	<u>33.0</u>
Gross profit	73.9	71.1	78.6	80.0	67.0
Operating expenses:					
Research and development	16.5	15.7	12.3	17.4	29.2
Sales and marketing	34.8	38.1	39.4	48.4	73.5
General and administrative	8.9	17.5	6.4	10.3	20.5
Depreciation	3.5	4.1	4.5	5.2	7.4
Amortization of acquired intangible assets	3.7	2.6	2.4	1.4	-
Acquired in-process research and development and write down of intangible assets	-	-	3.7	17.6	-
Restructuring costs	<u>-</u>	<u>1.6</u>	<u>0.4</u>	<u>-</u>	<u>2.9</u>
Total operating expenses	<u>67.4</u>	<u>79.6</u>	<u>69.1</u>	<u>100.3</u>	<u>133.5</u>
Income (loss) from operations	6.5	(8.5)	9.5	(20.3)	(66.5)
Other income (loss)	(1.6)	43.4	0.5	0.6	0.3
Interest income	3.2	5.5	2.5	3.9	8.6
Interest expense	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>(0.3)</u>	<u>(0.7)</u>
Income (loss) before income taxes	8.1	40.3	12.5	(16.1)	(58.3)
Provision for (recovery of) income taxes	<u>0.8</u>	<u>18.1</u>	<u>(9.3)</u>	<u>(2.2)</u>	<u>-</u>
Net income (loss) for the year	<u><u>7.3</u></u> %	<u><u>22.2</u></u> %	<u><u>21.8</u></u> %	<u><u>(13.9)</u></u> %	<u><u>(58.3)</u></u> %

Fiscal 2001 Compared with Fiscal 2000

Revenues. Total revenues included license revenues and service revenues, which consisted of consulting contracts, customer support agreements and training revenues, and integration services contracts. The Company recognized revenue in accordance with Statement of Position (“SOP”) 97-2, “Software Revenue Recognition”, issued by the American Institute of Certified Public Accountants (“AICPA”) in October 1997 and SOP 98-9 issued in December 1998. The Company recorded product revenue from software licenses and products when persuasive evidence of an arrangement existed, the software product had been shipped, there were no significant uncertainties surrounding product acceptance, the fees were fixed and determinable and collection was considered probable. Service revenue consisted of revenues from consulting contracts, customer support agreements, and training and integration services contracts. Contract revenues were derived from contracts to develop applications and to provide consulting services. Contract revenues were recognized under the percentage of completion method, using a methodology that accounts for costs incurred in relationship to total estimated costs under the contract after providing for any anticipated losses under the contract. Software maintenance revenues were deferred and recognized ratably over the life of the service contract. Revenues from training and integration services were recognized in the period in which the services were performed.

Total revenues increased 31% from \$112.9 million in the year ended June 30, 2000 to \$147.7 million in the year ended June 30, 2001. Revenues from licenses and networking increased 28% from \$57.6 million in the year ended June 30, 2000 to \$73.8 million in the year ended June 30, 2001. Customer support revenues increased 51% from \$26.6 million in the year ended June 30, 2000 to \$40.3 million in the year ended June 30, 2001. Service

revenues increased 17% from \$28.7 million in the year ended June 30, 2000 to \$33.6 million in the year ended June 30, 2001. In fiscal 2001 the Company achieved its highest license revenue in its history, fueled by a large increase in new accounts, as well as strong additional sales to existing accounts. There were no price declines as a result of new accounts. Furthermore, during fiscal 2001 the Company began actively promoting the rental of Livelink to customers through an Application Service Provider (ASP) model. Under this model, customers pay a monthly fee per user that grants them use of Livelink on a secure, hosted third-party server. Revenues earned from this service have been classified as Networking Revenues. This line of business is still in its infancy, but is an area that management feels has the potential to grow significantly in subsequent years. The increase in customer support revenue was a direct result of continued strong license sales, as well as strong renewal rates for maintenance contracts for existing accounts. The increase in service revenues was primarily attributable to an increase in consulting and integration services provided to new license customers.

Cost of revenues. Cost of license revenues consists primarily of the costs associated with the royalties payable to third parties whose software is bundled in the Company's products, as well as product media, duplication, manuals and packaging expenses. Cost of license revenues increased 119% from \$2.7 million in the year ended June 30, 2001 to \$5.9 million in the year ended June 30, 2000. Costs of revenues increased as a percentage of license revenue from 5% to 8%. This increase was primarily due to a one-time third party software charge.

Cost of support revenues increased 33% from \$5.7 million in the year ended June 30, 2000 to \$7.6 million in the year ended June 30, 2001. Cost of support revenues is comprised primarily of technical support personnel. As a percentage of customer support revenues, customer support costs decreased from 22% in the year ended June 30, 2000 to 19% in the year ended June 30, 2001.

Cost of service revenues consisted primarily of the costs of integration, product support and training. Cost of service revenues increased 3% from \$24.2 million in the year ended June 30, 2000 to \$25.0 million in the year ended June 30, 2001, primarily due to the additional personnel hired to support the expanded activities of the integration and consulting departments. Cost of service revenues as a percentage of service revenues decreased from 84% in the year ended June 30, 2000 to 74% in the year ended June 30, 2001, as a result of improved utilization rates. The Company believes that it must continue to enhance its integration and consulting capabilities as its customer base expands.

Research and development expenses. Research and development expenses consisted primarily of engineering personnel expenses, contracted research and development expenses and facilities and equipment costs. The Company presently expenses all research and development costs as incurred. See Note 2 of Notes to Consolidated Financial Statements.

Research and development costs increased by 37% from \$17.7 million in the year ended June 30, 2000 to \$24.3 million in the year ended June 30, 2001 and, as a percentage of revenue, remained constant between the two years at 16%. The increase of \$6.6 million in fiscal 2001 was primarily the result of the increased labor costs that resulted from the hiring of additional employees in the Company's research and development facilities, as well as the additional personnel added as a result of acquisitions in 2001. The fiscal 2000 amount includes a one-time expense of \$475,000 relating to the purchase of audio technology from Communities.com. The Company believes that significant investments in research and development are required to remain competitive in the software business. Accordingly, the Company expects the absolute amount of its expenditures on research and development to continue to increase, principally through the employment of additional development personnel.

Sales and marketing expenses. Sales and marketing expenses consisted primarily of compensation of sales and marketing personnel, as well as expenses associated with advertising, trade shows, facilities and other expenses related to the sales and marketing of the Company's products and services. Sales and marketing expenses increased 20% from \$42.9 million in the year ended June 30, 2000 to \$51.3 million in the year ended June 30, 2001. Sales and marketing expenses decreased as a percentage of total revenues from 38% in the year ended June 30, 2000 to 35% in the year ended June 30, 2001. The increase in absolute dollars was due principally to expenses associated with increases in the number of sales and marketing personnel and related salaries and commissions, as well as expenses related to marketing, public relations activities, marketing materials, advertising and trade shows. The Company expects sales and marketing expenses to continue to increase in absolute dollars as a result of the Company's anticipated increased sales and marketing efforts.

General and administrative expenses. General and administrative expenses consisted primarily of the salaries of administrative personnel and related overhead and facilities expenses. General and administrative expenses decreased 33% from \$19.8 million in the year ended June 30, 2000 to \$13.2 million in the year ended June 30, 2001 and decreased as a percentage of total revenues from 18% in the year ended June 30, 2000 to 9% in the year ended June 30, 2001. During fiscal 2001, the Company expanded its administration staff and continued to invest in its infrastructure, resulting in an increase in salaries and communication costs. In fiscal 2000, the Company's bad debt expense and non-recurring Year 2000 legal, testing and compliance costs significantly impacted that year's general and administrative expenditures. In addition, the Company incurred non-recurring legal costs from its NetSys legal proceedings during fiscal 2000. In March 2000, the Company was awarded hosting and arbitration cost compensation from Netsys, but no recovery has been accrued at June 30, 2001 due to the lack of collection assurance.

Depreciation expenses. Depreciation expense was \$4.6 million in the year ended June 30, 2000 and increased to \$5.2 million in the year ended June 30, 2001. This increase was the result of increased capital expenditures during the year as well as increased capital equipment acquired through acquisitions.

Amortization of acquired intangible assets. Amortization of acquired intangible assets was \$3 million for the year ended June 30, 2000 and \$5.5 million for the year ended June 30, 2001. Included in amortization of acquired intangible assets is amortization of core technology, purchased software and goodwill on the acquisition of Bluebird, LeadingSide, Open Image, Base4, OnTime, Information Dimensions and Lava, PS Software and Microstar. The increase in amortization was due to the Company's acquisition activity in fiscal 2001.

Restructuring costs. During fiscal 2000, the Company recorded a restructuring charge of \$1.8 million. The restructuring charges reflects the closure of the Company's Toronto, Ontario office and the London, UK office. In addition, in connection therewith, 45 employees were terminated: 31 in North America and 14 in Europe. At June 30, 2000, two employee severance amounts, totaling \$201,000 remained outstanding. These amounts were settled during the first and second quarters of fiscal 2001.

Other income (loss). Other income was \$49 million for the year ended June 30, 2000, compared to a \$2.4 million loss for the year ended June 30, 2001. Fiscal 2000 included a \$49 million gain on the sale of investments and net expenditures of \$51,000 comprised mainly of gains and losses on the disposal of fixed assets and foreign exchange. The \$2.4 million loss in fiscal 2001 included \$3.0 million of write-offs of certain dot-com investments which was partially offset by a recovery of an acquisition accrual relating to the favorable settlement of certain claims totaling \$734,000.

Interest. Interest income was \$6.2 million in the year ended June 30, 2000, compared to \$4.7 million in the year ended June 30, 2001. The decrease was due to lower average cash balances held by the Company during the year, largely a result of the repurchase of its common stock during the year. See "Liquidity and Capital Resources".

Income taxes. A total net deferred tax asset of \$2.1 million was recorded as of June 30, 2000 and no deferred tax asset was recorded at June 30, 2001. During fiscal 2001, the Company utilized \$6 million of deferred tax assets, mainly by offsetting current income with losses from prior years. In accordance with US GAAP, a valuation allowance of \$17.1 million is recorded against the deferred tax asset as reasonable assurance on the use of the remaining portion of the asset has not been obtained. The increase of \$4.8 million from the valuation allowance as at June 30, 2000 of \$12.3 million mainly represented the unrealized benefit of prior years losses acquired on acquisitions (see Note 15 in Notes to Consolidated Financial Statements). The Company continues to evaluate its taxable position quarterly and considers factors such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others. Please see Note 12 in Notes to Consolidated Financial Statements.

Fiscal 2000 Compared with Fiscal 1999

Revenues. Total revenues increased 22% from \$92.5 million in the year ended June 30, 1999 to \$112.9 million in the year ended June 30, 2000. Revenues from licenses increased 7% from \$53.7 million in the year ended June 30, 1999 to \$57.6 million in the year ended June 30, 2000. Service revenues increased 56% from \$18.5 million in the year ended June 30, 1999 to \$28.7 million in the year ended June 30, 2000. Customer support revenues increased 31% from \$20.4 million in the year ended June 30, 1999 to \$26.6 million in the year ended June 30, 2000. The increase in service revenues was primarily attributable to an increase in consulting and integration services provided to new license customers. The increase in customer support revenues was a result of the increase in support contracts provided to new and existing customers as well as customers from acquisitions.

Cost of revenues. Cost of license revenues consisted primarily of the costs of royalties payable to companies whose software is bundled in the Company's products, product media, duplication, manuals and packaging, as well as software amortization on purchased software. Cost of license revenues increased 48% from \$1.8 million in the year ended June 30 1999, to \$2.7 million in the year ended June 30, 2000, representing an increase from 3% to 5% of license revenue. The increase was primarily due to an increase in production and translation costs.

Cost of service revenues consisted primarily of the costs of integration, product support and training. Cost of service revenues increased 63% from \$14.9 million in the year ended June 30, 1999 to \$24.2 million in the year ended June 30, 2000, primarily due to additional personnel required to support the expanded activities of the integration and consulting departments. Cost of service revenues as a percentage of service revenues increased from 80% in the year ended June 30, 1999 to 84% in the year ended June 30, 2000.

Cost of customer support revenues consisted primarily of the cost of technical support personnel. Cost of customer support revenues increased 82% from \$3.2 million in the year ended June 30, 1999 to \$5.7 million in the year ended June 30, 2000, primarily due to costs associated with increased personnel in this area required to facilitate the increased volume of support as the Company's license base continues to increase.

Research and development expenses. Research and development expenses consist primarily of engineering personnel expenses, contracted research and development expenses and facilities and equipment costs. The Company expensed all research and development costs as incurred. See Note 2 of Notes to Consolidated Financial Statements.

Research and development costs increased by 56% from \$11.4 million in the year ended June 30, 1999 to \$17.7 million in the year ended June 30, 2000 and increased as a percentage of total revenues from 12% in the year ended June 30, 1999 to 16% in the year ended June 30, 2000. The fiscal 2000 costs include a one-time expense \$475,000 relating to the purchase of audio technology from Communities.com.

Sales and marketing expenses. Sales and marketing expenses consisted primarily of compensation of sales and marketing personnel as well as expenses for advertising, trade shows, cost of facilities and other expenses related to the sales and marketing of the Company's products and services. Sales and marketing expenses increased 18% from \$36.4 million in the year ended June 30, 1999 to \$42.9 million in the year ended June 30, 2000 and decreased as a percentage of total revenues from 39% in the year ended June 30, 1999 to 38% in the year ended June 30, 2000. The increase in absolute dollars was due principally to expenses associated with increases in the number of sales and marketing personnel and related salaries and commissions, as well as expenses related to marketing, public relations activities, marketing materials, advertising and trade shows to promote *Livelink*.

General and administrative expenses. General and administrative expenses consisted primarily of salaries of administrative personnel and related overhead and facilities expenses. General and administrative expenses increased 235% from \$5.9 million in the year ended June 30 1999, to \$19.8 million in the year ended June 30, 2000 and increased as a percentage of total revenues from 6% in the year ended June 30, 1999 to 18% in the year ended June 30, 2000. During fiscal 2000 the Company expanded its administration staff and improved its infrastructure through the implementation of a global frame relay system, increasing salaries and communication costs. The Company's bad debt expenditures and non-recurring Year 2000 legal, testing and compliance costs considerably impacted the years' general and administrative expenditures. No Year 2000 issues or problems were identified or

occurred with the Company's software. In addition, the Company incurred non-recurring legal costs from its NetSys legal proceedings during fiscal 2000.

Depreciation expenses. Depreciation expense was \$4.2 million in the year ended June 30, 1999 and increased to \$4.6 million in the year ended June 30, 2000 as a result of increased capital expenditures during the year and increased capital equipment acquired through acquisitions.

Amortization of acquired intangible assets. Amortization of acquired intangible assets was \$2.2 million for the year ended June 30, 1999 and \$3 million for the year ended June 30, 2000. Included in amortization of acquired intangible assets is amortization of core technology and goodwill on the acquisition of OnTime, Information Dimensions and Lava, PS Software and Microstar.

Restructuring costs. Restructuring costs in the year ended June 30, 1999 was \$329,000. During fiscal 2000, the Company recorded a restructuring charge of \$1.8 million. The restructuring resulted in the closure of the Company's Toronto, Ontario office and the London, UK office. In addition, 45 employees were terminated: 31 in North America and 14 in Europe.

Other income. Other income was \$427,000 for the year ended June 30, 1999 and \$49 million for the year ended June 30, 2000. Fiscal 2000 includes \$49 million from the gain on the sale of investments and net expenditures of \$51,000 comprised mainly of gains and losses on the disposal of fixed assets and foreign exchange.

Interest. Interest income was \$2.3 million in the year ended June 30, 1999 compared to \$6.2 million in the year ended June 30, 2000. The increase was due to higher average cash balances held by the Company during the year.

Income taxes. A total net deferred tax liability of \$2.4 million existed as of June 30, 1999 and a total net deferred tax asset of \$2.1 million existed as of June 30, 2000. During fiscal 2000, the Company utilized \$4.5 million of deferred tax assets, mainly by offsetting current income with losses of prior years. In accordance with US GAAP, a valuation allowance of \$12.3 million continues to be recorded against the deferred tax asset as reasonable assurance on the use of the remaining portion of the asset has not been obtained. The increase of \$4.6 million from the valuation allowance as at June 30, 1999 of \$7.7 million mainly represents the unutilized benefit of current year losses outside of Canada.

Quarterly Results

The following table summarizes selected quarterly financial data over the past two fiscal years:

	Fiscal 2001			
	<u>Fourth Quarter</u>	<u>Third Quarter</u>	<u>Second Quarter</u>	<u>First Quarter</u>
	(in thousands, except per share data)			
Revenue	<u>\$40,523</u>	<u>\$39,300</u>	<u>\$37,826</u>	<u>\$30,050</u>
Gross Margin	<u>30,424</u>	<u>29,572</u>	<u>27,523</u>	<u>21,705</u>
Net income	<u>\$3,462</u>	<u>\$2,007</u>	<u>\$3,182</u>	<u>\$2,145</u>
Earnings per share				
Basic	<u>\$0.17</u>	<u>\$0.10</u>	<u>\$0.16</u>	<u>\$0.11</u>
Diluted	<u>\$0.16</u>	<u>\$0.09</u>	<u>\$0.15</u>	<u>\$0.10</u>
	Fiscal 2000			
	<u>Fourth Quarter</u>	<u>Third Quarter</u>	<u>Second Quarter</u>	<u>First Quarter</u>
	(in thousands, except per share data)			
Revenue	<u>\$32,335</u>	<u>\$28,486</u>	<u>\$26,728</u>	<u>\$25,396</u>
Gross Margin	<u>24,006</u>	<u>20,176</u>	<u>17,487</u>	<u>18,640</u>
Net income	<u>\$2,243</u>	<u>\$4,390</u>	<u>\$15,623</u>	<u>\$2,823</u>
Earnings per share				
Basic	<u>\$0.11</u>	<u>\$0.21</u>	<u>\$0.65</u>	<u>\$0.13</u>
Diluted	<u>\$0.10</u>	<u>\$0.19</u>	<u>\$0.61</u>	<u>\$0.11</u>

The Company has experienced significant fluctuations in quarterly results that have been caused by many factors, including changes in demand for the Company's products, the introduction or enhancement of products by the Company and its competitors, market acceptance of those products or enhancements, delays in the introduction of products or enhancements by the Company or its competitors, delays involved in installing products with customers, the mix of distribution channels through which products are sold, the mix of products and services sold, the mix of international and North American revenues, the integration of the Acquired Businesses into the Company's operations and general economic conditions. The results of operations of these businesses have also fluctuated from period to period due to factors similar to those that have affected the Company. As a result, the Company believes that period-to-period comparisons of its results of operations, either on an actual or pro forma basis, are not necessarily meaningful and should not be relied upon as any indication of future performance. In addition, like many other software companies, the Company has generally recognized a substantial portion of its revenues in the last quarter of each fiscal year and in the last weeks of each quarter. The Company's revenues for the quarter ended September 30 of each fiscal year generally have been lower than revenues for other quarters, however, it is uncertain whether this trend will continue in current or future periods. Due to all of the foregoing factors, the Company's operating results in a particular quarter may fail to meet market expectations. See "Business—Risk Factors—Potential Fluctuations in Quarterly Operating Results."

Liquidity and Capital Resources

At June 30, 2001, the Company had current assets of \$124.0 million, and current liabilities of \$42.0 million. The Company has a CDN \$10.0 million (USD\$6.6 million) line of credit with a Canadian chartered bank, under which no borrowings were outstanding at June 30, 2001. The line of credit bears interest at the lender's prime rate plus 0.5%. The Company has pledged all of its assets including an assignment of accounts receivable as collateral for this line of credit.

Cash provided by operations during the year ended June 30, 2001 was \$11.8 million. During fiscal 2001, acquisitions of furniture and equipment totaled \$5.8 million.

To date, license, customer support and service revenues have been insufficient to satisfy the Company's cash requirements, as the Company continues to search for businesses to acquire. The Company has financed its cash needs primarily through the issuance of the Company's Common Shares and Special Warrants. The Company also spent \$21.3 million and \$97.2 million during fiscal 2001 and fiscal 2000 respectively to repurchase its own common shares.

During fiscal 2001, the purchase of Bluebird, LeadingSide, Open Image, and Base4 resulted in a combined total cash outflow of \$15.6 million.

In October 2000, Open Text acquired all of the issued and outstanding share capital of Bluebird, of Carlsbad, California. Consideration for this acquisition was comprised of (i) cash of \$8 million paid on closing; and (ii) additional cash consideration to be earned over the eight subsequent three month periods following the closing, contingent upon Bluebird meeting certain revenue and net income targets. The purchase of Bluebird provides Open Text with additional SCM and CRM capabilities, which it intends to integrate with its Livelink technology to extend the functionality of these applications. Bluebird is also a provider of solutions for Peoplesoft applications such as human resources, accounts payable, and expense reporting.

Included in tangible net liabilities is an amount of \$646,000 representing direct acquisition costs, involuntary terminations, and office closure costs. The liabilities included \$504,000 of direct acquisition costs, \$75,000 for involuntary terminations, and \$67,000 for office closures. An acquisition accrual of \$370,000 remains on the balance sheet at June 30, 2001. The Company expects that this liability will be discharged in fiscal 2002.

Bluebird's software products included products that were in the marketplace at the time of the acquisition. The fair market value of the purchased current software products was determined to be \$2.3 million. This amount was recorded as an asset and is being amortized on a straight-line basis over four years, the expected useful life of the technology. The fair market value of core technology was determined to be \$1.2 million. This amount was recorded as an asset and is being amortized on a straight-line basis over seven years. The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$4.6 million which will be amortized on a straight-line basis over ten years. Any additional consideration earned by the former shareholders of Bluebird will be accounted for as part of the purchase price, and consequently will be recorded as additional goodwill.

In November 2000, Open Text acquired the product business of LeadingSide of Cambridge, Massachusetts, for cash consideration of \$3 million. LeadingSide is an e-business solution provider that designs, develops and deploys knowledge driven solutions to Global 2000 companies. The company's principal focus was creating strategic e-business solutions to leverage the intellectual capital embedded in the terabytes of structured and unstructured business content that companies create and access every day. Product lines acquired by Open Text include LeadingSide's Dataware products marketed as BRS/Search, InQuery, and Queryserver. All intellectual property including sourcecode, patents, customer lists and contracts associated with these product lines, as well as Dataware's product-related staff have been transferred with this acquisition.

Current software products include products in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$2.7 million. This amount was recorded as an asset and will be amortized on a straight-line basis over four years. The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$2.2 million which will be amortized on a straight-line basis over seven years.

Included in tangible net liabilities is an amount of \$1.8 million representing direct acquisition costs, office closure costs, and acquired commitments. The liabilities included \$543,000 of direct acquisition costs, \$80,000 for office closures, and \$1.2 million for acquired commitments. An acquisition accrual of \$643,000 remains on the balance sheet at June 30, 2001. With the exception of the acquired commitments, the Company expects that this

liability will be discharged in fiscal 2002. Due to the nature of the acquired commitments, the Company is unable to estimate the timing of the settlement of this liability.

In November 2000, Open Text acquired all of the outstanding shares of Open Image Systems Inc. (“Open Image”) of Toronto, Ontario for cash consideration of \$2.1 million.

Included in tangible net liabilities is an amount of \$204,000 representing direct acquisition costs, office closure costs, and acquired commitments. The liabilities included \$98,000 of direct acquisition costs, \$38,000 for office closures, and \$68,000 for acquired commitments. An acquisition accrual of \$205,000 remains on the balance sheet at June 30, 2001. With the exception of the acquired commitments, the Company expects that this liability will be discharged in fiscal 2002. Due to the nature of the acquired commitments, the Company is unable to estimate the timing of the settlement of this liability.

Current software products include products currently in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$302,000. This amount was recorded as an asset and is being amortized on a straight-line basis over four years. The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$2.0 million and is being amortized on a straight-line basis over five years.

In January 2001, Open Text acquired all of the outstanding shares of Base 4 Inc. (“Base 4”) of Toronto, Ontario for cash consideration of \$539,000.

Included in tangible net liabilities is an amount of \$335,000 representing direct acquisition costs, office closure costs, involuntary termination costs and certain contingencies. The liabilities included \$70,000 of direct acquisition costs, \$75,000 for office closures, \$100,000 for involuntary terminations and \$90,000 for acquired commitments. An acquisition accrual of \$207,000 remains on the balance sheet at June 30, 2001. With the exception of the acquired commitments, the Company expects that this liability will be discharged in fiscal 2002. Due to the nature of the acquired commitments, the Company is unable to estimate the timing of the settlement of this liability.

The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$1.2 million which will be amortized on a straight-line basis over five years.

In August 1999, Open Text acquired all the outstanding shares of PS Software Solutions Ltd (“PS Software”) of Ottawa, Canada. A key element of the acquisition was the Company’s perception that it could leverage the customer base of PS Software and integrate the sales and professional services staff to increase corporate revenues. In addition, the acquisition would broaden the document management capabilities by providing Livelink users with more advanced records management and full life cycle management of electronic documents. The acquisition enabled the Company to join the Canadian Government’s Records, Document Information Management System (“RDIMS”) project specifications.

In September 1999, 3557855 Canada Inc., a wholly owned subsidiary of Open Text Corporation acquired over 92.87% of Microstar Software Ltd.’s issued and outstanding share capital. In November 1999, the Company completed the process to compulsorily acquire the remaining shares of Microstar Software Ltd. The purchase of Microstar Software added to the Company’s XML based capabilities to help their e-business customers adopt Livelink technology more rapidly in Extranets. Microstar was recognized for its innovative standards-based solutions based on SGML and XML. Microstar’s technology expertise included the development of XML and SGML tools such as Near and Far ® Designer and the Aelfred parser. In addition, Microstar had considerable experience in the government sector, which benefited the Company’s current government customers. An acquisition accrual balance of \$78,000 remains on the balance sheet at June 30, 2001, relating primarily to legal expenditures from direct acquisition costs.

On December 29, 1998 the Company acquired certain assets of Lava for cash of \$2.3 million. The acquisition was accounted for by the purchase method of accounting. The Company charged to expense an amount of \$3.4 million related to in-process research and development. This amount represented the fair value of the in-

process research and development on Lava technology acquired that required completion and integration into the Company's *Livelink* products.

The Company has completed its assessment of the Lava Claims Enabler, Lava Intellidocs and Lava PME and due to scalability, web enhancement issues and product redesign issues have decided not to proceed to invest additional time or funds in their development. The Company has employed the technology from the Lava products and the expertise of Lava's services organization to develop such applications as a web-based insurance broker application. The knowledge and expertise of the professional development staff acquired in the acquisition has contributed to the Company's increased professional services revenue, particularly in Europe.

On June 3, 1998, the Company acquired certain of the assets and liabilities of Information Dimensions for approximately \$8.1 million which consisted of cash paid on closing of \$7.6 million and an accrual of \$500,000 for contingent consideration. Information Dimensions software products included products that were in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$569,000. This amount was recorded as an asset and is being amortized on a straight-line basis over four years, the expected useful life of the technology. The fair market value of core technology was determined to be \$3.4 million. This amount was recorded as an asset and is being amortized on a straight-line basis over seven years.

As a result of the valuation, the fair market value of the in-process research and development costs, representing the fair value of Information Dimensions technology acquired that required completion, was determined to be \$5.5 million. In accordance with applicable accounting rules, this amount was expensed upon acquisition. The excess of the purchase price over the fair market value of identifiable assets acquired and liabilities assumed has been recorded as goodwill in the amount of \$9.7 million which is being amortized over ten years. The CIC/Techlib product was completed in fiscal 1999.

The basis activator module was completed in fiscal 2000, enabling Information Dimension customers to integrate their basis products with the Company's *Livelink* products. In addition, the my *Livelink* module was completed in fiscal 2000 under the guidance of the Information Dimension's development staff acquired through the acquisition.

On December 3, 1997 the Company acquired certain of the assets and liabilities of OnTime for approximately \$6.7 million, in a transaction which has been accounted for under the purchase method of accounting. A key element of the acquisition is the Company's perception of the value of OnTime's calendaring and scheduling technology. Although OnTime is a leading calendaring and scheduling technology, it is the Company's belief that substantial development will be required to complete the software technology to meet the Company's strategic goals. An On Time module was added to the *Livelink* product line in fiscal 2000.

During fiscal 1997, the Company acquired a minority equity interest in Primedia Inc. (formerly About.com, formerly MiningCo.com Inc.) which represented 885,201 shares of common stock. In March 1999, Primedia completed an initial public offering of common stock and its common stock was listed on the NASDAQ Stock Market's National Market. During fiscal 2000, the Company sold 876,301 shares resulting in a gain of \$48.1 million. During fiscal 2001, the Company sold its remaining interest of 8,900 shares.

The Company continues to seek out opportunities to acquire or invest in businesses, products and technologies that expand, compliment or are otherwise related to the Company's current business or products. The Company also considers from time to time opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. Such acquisitions, investments, joint ventures or other business initiatives may involve significant commitments of financial and other resources of the Company. There can be no assurance that any such activity will be successful in generating revenue, income or other returns to the Company, or that financial or other resources committed to such activities will not be lost.

During fiscal 2001, the Company repurchased for cancellation 886,000 common shares on the open market at a cost of \$21.3 million, of which \$9.1 million has been charged to share capital and \$12.2 million has been charged to deficit. During fiscal 2000, the Company repurchased for cancellation 4,849,300 common shares on the

open market at a cost of \$96.7 million, of which \$49.7 million has been charged to share capital and \$47 million has been charged to deficit.

The Company earns interest on its cash and cash equivalents, which consist of highly liquid investments with an original maturity of three months or less at the date of acquisitions. Interest income earned from these investments totaled \$4.7 million during fiscal 2001 and \$6.2 million during fiscal 2000.

On May 3, 1999, the Company completed the issuance of 3.0 million Special Warrants, convertible into Common Shares for no additional consideration, for net proceeds of \$97 million. During September 1999, Special Warrants were converted into Common Shares without payment of additional consideration.

Effects of Foreign Currency Exchange Rates and Inflation

The Company's earnings are affected by fluctuations in the value of the US dollar, as compared to foreign currencies, as a result of transactions in foreign markets. Approximately 47% of the Company's revenues in 2001 and 36% in 2000 has been earned in currencies other than the US dollar. Approximately 52% of the Company's expenses in 2001 and 49% in 2000 have been spent in currencies other than the US dollar. Accordingly, fluctuations in exchange rates between the United States dollar and other foreign currencies could materially affect the Company's results of operations. To date, the Company has not engaged in exchange rate hedging activities nor does the Company purchase or hold any derivative financial instruments for speculative purposes. To the extent that the Company implements hedging activities in the future with respect to foreign currency exchange transactions, there can be no assurance that the Company will be successful in such hedging activities.

While the Company believes that inflation has not had a material effect on its results of operations, there can be no assurance that inflation will not have a material effect on the Company's results of operations in the future.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company is primarily exposed to market risks associated with fluctuations in interest rates and foreign currency exchange rates.

Interest rate risks

The Company's exposure to interest rate fluctuations relates primarily to its investment portfolio. The Company primarily invests its cash in short-term high-quality securities with reputable financial institutions. The primary objective of the Company's investment activities is to preserve principal while at the same time maximizing the income the Company receives from its investments without significantly increasing risk. The Company does not use derivative financial instruments in its investment portfolio. The interest income from the Company's investments is subject to interest rate fluctuations, which management believes would not have a material impact on the financial position of the Company.

All highly liquid investments with a maturity of less than three months at the date of purchase are considered to be cash equivalent. All investments with maturities of three months or greater are classified as available-for-sale and considered to be short-term investments. Some of the securities that the Company has invested in may be subject to market risk. This means that a change in the prevailing interest rates may cause the principal amount of the investment to fluctuate. The impact on net interest income of a 100 basis point adverse change in interest rates for the fiscal year ended June 30, 2001 would have been less than \$1.6 million.

Foreign currency risk

The Company has net monetary asset and liability balances in foreign currencies other than US Dollar, including the Canadian Dollar ("CDN"), the Pound Sterling ("GBP"), the Australian dollar ("AUD"), the Swiss

Franc (“CHF”), the German Mark (“DEM”), the French Franc (“FRF”), the Netherland Guilder (“NLG”), the Dutch Kroner (“DKK”), the Arabia Durham (“AED”), and the Euro (“EUR”).

The Company’s cash and cash equivalents are primarily held in US Dollars. As at June 30, 2001, a 10% adverse change in foreign exchange rates would not have had a material impact on the Company’s reported cash and cash equivalents balance.

The Company does not currently use financial instruments to hedge operating expenses in foreign currencies. The Company intends to assess the need to utilize financial instruments to hedge currency exposures on an ongoing basis.

Item 8. Financial Statements and Supplementary Data

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Management's Report

Management is responsible for all the information and representations contained in the consolidated financial statements and other sections of this Form 10-K. Management believes that the consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and appropriate in the circumstances to reflect in all material respects the substance of events and transactions that should be included, and that the other information in this Form 10-K is consistent with those statements. In preparing the consolidated financial statements, management makes informed judgments and estimates of the expected effects of events and transactions that are currently being accounted for.

In meeting its responsibility for the reliability of the consolidated financial statements, management depends on the Company's system of internal accounting control. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization, and are recorded properly to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles. In designing control procedures, management recognizes that errors or irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. Management believes that the Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

The Board of Directors pursues its oversight role for these consolidated financial statements through the Audit Committee, which is comprised solely of Directors who are not officers or employees of the Company. The Audit Committee meets with management periodically to review their work and to monitor the discharge of each of their responsibilities. The Audit Committee also meets periodically with KPMG LLP, the independent auditors, who have free access to the Audit Committee of the Board of Directors, without management present, to discuss internal accounting control, auditing, and financial reporting matters.

KPMG LLP is engaged to express an opinion on our consolidated financial statements. Their opinion is based on procedures believed by them to be sufficient to provide reasonable assurance that the consolidated financial statements are not materially misleading and do not contain material errors.

/s/P Thomas Jenkins

P Thomas Jenkins
Chief Executive Officer

/s/Alan Hoverd

Alan Hoverd
Chief Financial Officer

August 7, 2001



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4120 Yonge Street Suite 500
North York ON M2P 2B8
Canada

Telephone (416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

AUDITORS' REPORT

To the Shareholders of Open Text Corporation

We have audited the consolidated balance sheet of Open Text Corporation as at June 30, 2001 and the consolidated statement of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements as at June 30, 2000 and 1999 and for the years then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated August 4, 2000.

We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with United States generally accepted accounting principles.

On August 7, 2001, we reported separately to the shareholders of the company on the consolidated financial statements for the same period, prepared in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada
August 7, 2001



PricewaterhouseCoopers LLP
Chartered Accountants
99 Bank Street
Suite 800
Ottawa Ontario
Canada K1P 1E4
Telephone +1 (613) 237 3702
Facsimile +1 (613) 237 3963

Auditors' Report

**To the Shareholders of
Open Text Corporation**

We have audited the consolidated balance sheets of **Open Text Corporation** as at June 30, 2000 and the consolidated statements of operations, shareholders' equity and cash flows for the years ended June 30, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2000 and the results of its operations and its cash flows for the years ended June 30, 2000 and 1999 in accordance with accounting principles generally accepted in the United States.

On August 4, 2000, we reported separately to the shareholders of Open Text Corporation on the consolidated financial statements for the same period, prepared in accordance with accounting principles generally accepted in Canada.

PricewaterhouseCoopers LLP

Chartered Accountants
Ottawa, Canada
August 4, 2000

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

OPEN TEXT CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of US Dollars, except share data)

		<u>June 30.</u>	
		<u>2001</u>	<u>2000</u>
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 87,526	\$ 113,918
Available for sale securities (note 3)		-	284
Accounts receivable trade, net of allowance for doubtful accounts of \$1,458 as at June 30, 2001 and \$1,033 as at June 30, 2000		34,212	27,090
Prepaid expenses and other assets		<u>2,267</u>	<u>1,983</u>
Total current assets		124,005	143,275
Capital assets (note 4)		11,815	9,470
Goodwill, net of accumulated amortization of \$8,096 at June 30, 2001 and \$4,410 at June 30, 2000		29,112	21,745
Deferred tax asset (note 12)		-	2,200
Other assets (note 5)		<u>10,070</u>	<u>6,560</u>
Total assets		<u>\$ 175,002</u>	<u>\$ 183,250</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable - trade and accrued liabilities (note 7)		\$ 18,535	\$ 18,422
Deferred revenues		21,622	16,481
Income tax payable		1,818	10,310
Deferred tax liability (note 12)		<u>-</u>	<u>54</u>
Total current liabilities		41,975	45,267
Commitments and contingencies (notes 10)			
Shareholders' equity:			
Share capital (note 8)			
19,937,968 and 20,229,822 Common Shares issued and outstanding at June 30, 2001 and June 30, 2000 respectively		203,636	206,667
Accumulated other comprehensive income and other capital:			
Unrealized gain on available for sale securities (net of tax)		-	130
Cumulative translation adjustment		(1,396)	(1,018)
Accumulated deficit		<u>(69,213)</u>	<u>(67,796)</u>
Total shareholders' equity		<u>133,027</u>	<u>137,983</u>
		<u>\$ 175,002</u>	<u>\$ 183,250</u>

See accompanying notes to consolidated financial statements

OPEN TEXT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of US Dollars, except share and per share data)

	Year Ended June 30,		
	2001	2000	1999
Revenues:			
License & Networking	\$ 73,752	\$ 57,574	\$ 53,657
Customer Support	40,316	26,641	20,411
Service	33,631	28,730	18,469
Total revenues	<u>147,699</u>	<u>112,945</u>	<u>92,537</u>
Cost of revenues:			
License & Networking	5,878	2,685	1,819
Customer Support	7,632	5,731	3,151
Service	24,965	24,220	14,854
Total cost of revenues	<u>38,475</u>	<u>32,636</u>	<u>19,824</u>
	109,224	80,309	72,713
Operating expenses:			
Research and development	24,311	17,743	11,373
Sales and marketing	51,317	42,928	36,441
General and administrative	13,191	19,832	5,921
Depreciation	5,178	4,586	4,225
Amortization of acquired intangible assets	5,460	2,962	2,194
Acquired in-process research and development and write down of intangible assets	-	-	3,419
Restructuring costs (note 17)	-	1,774	329
Total operating expenses	<u>99,457</u>	<u>89,825</u>	<u>63,902</u>
Income (loss) from operations	9,767	(9,516)	8,811
Other income (loss) (note 11)	(2,417)	48,965	427
Interest income	4,736	6,161	2,342
Interest expense	(61)	(109)	(47)
Income before income taxes	12,025	45,501	11,533
Provision for (recovery of) income taxes (note 12)	1,229	20,422	(8,637)
Net income for the year	<u>\$ 10,796</u>	<u>\$ 25,079</u>	<u>\$ 20,170</u>
Net income per share - basic (note 16)	<u>\$ 0.54</u>	<u>\$ 1.12</u>	<u>\$ 0.96</u>
Net income per share - diluted (note 16)	<u>\$ 0.50</u>	<u>\$ 1.03</u>	<u>\$ 0.85</u>
Weighted average number of Common Shares outstanding - basic	<u>20,032,092</u>	<u>22,349,268</u>	<u>20,914,365</u>
Weighted average number of Common Shares outstanding - diluted	<u>21,465,645</u>	<u>24,421,322</u>	<u>23,728,738</u>

See accompanying notes to consolidated financial statements

CORPORATION

STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Shares		Special Warrants		Other Capital Amount	Employee Share Purchase Loans
	Shares	Amount	Shares	Amount		
Balance as of June 30, 1998	18,087	105,108	1,750	34,800	155	-
Issuance of Common Shares						
Conversion of shares set aside	9	91	-	-	(91)	-
Under employee stock option plans	1,355	9,075	-	-	-	-
On acquisitions	10	307	-	-	-	-
Conversion of special warrants	1,750	34,800	(1,750)	(34,800)	-	-
Additional costs related to Mar'98 issue of special warrants	-	(31)	-	-	-	-
Under employee stock purchase plans	70	902	-	-	-	-
Issuance of special warrants	-	-	3,000	97,420	-	-
Unrealized gain on available for sale securities (net of tax of \$14,022)	-	-	-	-	-	-
Comprehensive income:						
Foreign currency translation adjustment	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-
Balance as of June 30, 1999	21,281	150,252	3,000	97,420	64	-
Issuance of Common Shares						
Under employee stock option plans	768	5,659	-	-	-	-
On acquisitions	40	1,015	-	-	-	-
Conversion of special warrants	3,000	97,420	(3,000)	(97,420)	-	-
Under employee stock purchase plans	111	1,961	-	-	-	-
Repurchase and cancellation of shares	(4,970)	(49,704)	-	-	-	-
Reallocation of other capital	-	64	-	-	(64)	-
Unrealized gain on available for sale securities (net of tax of \$54)	-	-	-	-	-	-
Realized gain on available for sale securities (net of tax of \$14,022)	-	-	-	-	-	-
Comprehensive income:						
Foreign currency translation adjustment	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-
Balance as of June 30, 2000	20,230	\$ 206,667	-	\$ -	\$ -	\$ -
Issuance of Common Shares						
Under employee stock option plans	484	3,785	-	-	-	-
Conversion of special warrants	-	-	-	-	-	-
Under employee stock purchase plans	131	2,237	-	-	-	-
Repurchase and cancellation of shares	(886)	(9,053)	-	-	-	-
Comprehensive income:						
Foreign currency translation adjustment	-	- 58 -	-	-	-	-
Net income for the year	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-
Balance as of June 30, 2001	19,959	\$ 203,636	-	\$ -	\$ -	\$ -

OPEN TEXT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US Dollars)

	Year Ended June 30,		
	2001	2000	1999
Cash flows from operating activities:			
Net income for the year	\$ 10,796	\$ 25,079	\$ 20,170
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	10,638	7,942	6,507
Acquired in-process research and development	-	-	3,419
Deferred taxes	2,146	7,400	(11,658)
(Gain) loss on sale of other investments	2,237	(48,130)	(991)
Other	772	(126)	(388)
Changes in operating assets and liabilities (net of assets acquired in the period):			
Accounts receivable	13	5,463	(8,601)
Prepaid expenses and other assets	459	6,330	(5,244)
Income tax payable	(8,481)	12,813	-
Accounts payable and deferred revenues	(3,499)	9,606	(6,004)
Unrealized foreign exchange loss	(2,172)	-	-
Other	(1,147)	-	5,575
Net cash provided by operating activities	11,762	26,377	2,785
Cash flows from investing activities:			
Acquisitions of capital assets	(5,781)	(7,055)	(4,747)
Purchase of other investments	(938)	(1,775)	(3,524)
Proceeds of sale of other investments	-	1,762	3,928
Purchase of PS Software & Microstar	-	(6,611)	-
Purchase of Bluebird Systems	(8,984)	-	-
Purchase of Leadingside	(4,010)	-	-
Purchase of Open Image	(2,098)	-	-
Purchase of Base 4	(529)	-	-
Purchase of Lava Systems	-	-	(5,797)
Proceeds from available for sale securities	-	48,322	-
Proceeds from (additions to) other assets	-	790	(340)
Net cash provided by (used in) investment activities	(22,340)	35,433	(10,480)
Cash flow from financing activities:			
Payment of obligations under capital leases	(55)	(79)	(203)
Proceeds from issuance of Special Warrants	-	-	97,420
Proceeds from issuance of Common Shares	6,022	9,157	10,344
Repurchase of Common Shares	(21,266)	(97,226)	-
Net cash provided by (used in) financing activities	(15,299)	(88,148)	107,561
Foreign exchange loss on cash held in foreign currency	(515)	-	-
Increase(decrease) in cash and cash equivalents during the year	(26,392)	(26,338)	99,866
Cash and cash equivalents at beginning of the year	113,918	140,256	40,390
Cash and cash equivalents at end of the year	\$ 87,526	\$ 113,918	\$ 140,256

Supplementary information (note 14)

See accompanying notes to consolidated financial statements

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

NOTE 1—NATURE OF OPERATIONS

The Company develops, markets, licenses and supports collaborative knowledge management application software for use on intranets, extranets and the Internet, enabling users to find electronically stored information, work together in creative and collaborative processes, do group calendaring and scheduling and distribute or make available to users across networks or the Internet the resulting work product and other information. The Company's products are sold primarily to Global 2000 customers. The Company's shares trade publicly on the NASDAQ Stock Market - National market ("NASDAQ"), under the symbol OTEX and on the Toronto Stock Exchange, under the symbol OTC.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are expressed in US dollars and are prepared in accordance with generally accepted accounting principles in the United States ("US GAAP").

Basis of consolidation

The consolidated financial statements include the accounts of Open Text Corporation and its subsidiaries, all of which are wholly-owned. All material intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

All highly liquid investments with an original maturity of three months or less at the date of acquisition are classified as cash equivalents.

Capital assets

Capital assets are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Gains and losses upon asset disposal are taken into income in the year of disposition.

Goodwill

Goodwill, which represents the purchase price paid for an acquired business in excess of the fair values assigned to net identifiable assets, is amortized on a straight-line basis over its expected useful life. In general, goodwill has an expected net useful life of seven to ten years.

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

The carrying value of goodwill and enterprise goodwill is periodically reviewed by management, and impairment losses, if any, are recognized when the expected non-discounted future operating cash flows derived from the related business acquired are less than the carrying value of such goodwill. In the event of an impairment in goodwill, the discounted cash flows method is used to arrive at the estimated fair value of such goodwill.

Other Assets

Intangible assets (which are included under the caption "other assets") are amortized on a straight-line basis over their estimated useful lives, generally two to seven years.

Revenue recognition

a) License revenues

The Company recognizes revenue in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition", issued by the American Institute of Certified Public Accountants ("AICPA") in October 1997 and SOP 98-9 issued in December 1998.

The Company records product revenue from software licenses and products when persuasive evidence of an arrangement exists, the software product has been shipped, there are no significant uncertainties surrounding product acceptance, the fees are fixed and determinable and collection is considered probable. The Company uses the residual method to recognize revenue when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue is deferred based on vendor-specific objective evidence of the fair value of the undelivered element. If vendor-specific objective evidence of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or all elements have been delivered.

b) Service revenues

Service revenues consist of revenues from consulting contracts, customer support agreements, and training and integration services contracts. Contract revenues are derived from contracts to develop applications and to provide consulting services. Contract revenues are recognized under the percentage of completion method, using a methodology that accounts for costs incurred under the contract in relation to the total estimated costs under the contract, after providing for any anticipated losses under the contract. Revenues from training and integration services are recognized in the period in which the services are performed.

c) Customer support revenues

Customer support revenues consist of revenue derived from contracts to provide technical support to license holders. These revenues are recognized over the term of the contract.

d) Network revenues

Network revenues consist of revenues earned from customers under an application service provider (ASP) model. Under this model, customers pay a monthly fee that entitles them to use of the Company's software on a secure, hosted, third party server. These revenues are recognized as the services are provided on a monthly basis over the term of the customer's contract.

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

Deferred Revenue

Deferred revenue primarily relates to support agreements which have been paid for by customers prior to the performance of those services. Generally, the services will be provided in the next twelve months.

Research and development costs

Costs related to research, design and development of products are charged to research and development expense as incurred. Software development costs are capitalized beginning at the time when a product's technological feasibility has been established, and ending when a product is available for general release to customers. To date, completing a working model of the Company's products, and general release of such products have substantially coincided. As a result, to date the Company has not capitalized any software development costs since such costs have not been significant.

Income taxes

The Company accounts for income taxes under the asset and liability method that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Effects of changes in tax rates are recognized in the period that includes the enactment date. The Company provides a valuation allowance on net deferred tax assets when it is not more likely than not that such assets will be realized.

Concentrations of credit risk

The Company maintains the majority of its cash and cash equivalents in US dollar denominated Canadian federal government securities or short-term, interest-bearing, investment-grade securities and demand accounts of a major Canadian chartered bank or commercial paper.

The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral. The Company maintains allowances for potential losses, and to date, such losses have been within management's expectations. No single customer accounted for more than 10% of the accounts receivable balance at June 30, 2001 and June 30, 2000.

Fair value of financial instruments

Carrying amounts of certain of the Company's financial instruments including cash and cash equivalents, accounts receivable, accounts payable-trade and accrued liabilities and income tax payable approximate fair value due to their short maturities. Available for sale securities are valued at the trading value of the securities on the balance sheet date.

Foreign currency translation

Assets and liabilities of certain foreign subsidiaries, whose functional currency is the local currency, are translated from their respective functional currencies to US dollars at year-end exchange rates. Income and expense items are translated at the average rates of exchange prevailing during the year. Realized foreign exchange gains and losses are included in income or loss in the year in which they occur. Unrealized foreign currency transaction gains and losses are included in other comprehensive income or loss in the year in which they occur. The adjustment resulting from translating the financial statements of such foreign subsidiaries is reflected as a separate component of shareholders' equity.

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

Employee stock option plans

The Company has elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and to present the proforma information that is required by SFAS No. 123—"Accounting for Stock-Based Compensation" ("SFAS 123"). APB 25 requires compensation cost for stock-based employee compensation plans to be recognized over the vesting period based on the difference, if any, on the grant date between the quoted market price of the company's stock and the amount an employee must pay to acquire the stock.

Earnings per share

Basic earnings per share are computed using the weighted average number of common shares outstanding including contingently issuable shares where the contingency has been resolved. Diluted earnings per share are computed using the weighted average number of common shares and stock options (using the treasury stock method) outstanding during the period. See note 16.

NOTE 3—AVAILABLE FOR SALE SECURITIES

Primedia Inc.. During fiscal 1997, the Company acquired a minority equity interest in Primedia Inc. ("Primedia") (formerly About.com, formerly MiningCo.com Inc. and formerly General Internet, Inc.) which represented 885,201 shares of common stock. In March 1999, Primedia completed an initial public offering of common stock and its common stock was listed on the NASDAQ. At this time, the Company commenced accounting for its interest in Primedia as available for sale securities, and began carrying the investment on its balance sheet as a current asset valued at the trading value of the securities on the balance sheet date. At June 30, 2000 the closing price for Primedia's common stock as reported by NASDAQ was \$31.50 per share. During the years ended June 30, 2001 and June 30, 2000 the Company sold 8,900 and 876,301 shares of About.com respectively, representing its entire holding of this investment.

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For each of the three years in the period ended June 30, 2001

NOTE 4—CAPITAL ASSETS

	June 30, 2001		
	Cost	Accumulated Depreciation	Net
	(in thousands)		
Furniture and fixtures	\$ 5,258	\$ 3,638	\$ 1,620
Office equipment	983	718	265
Computer hardware and software	31,839	22,879	8,960
Leasehold improvements	2,230	1,260	970
	\$ 40,310	\$ 28,495	\$ 11,815
	June 30, 2000		
	Cost	Accumulated Depreciation	Net
	(in thousands)		
Furniture and fixtures	\$ 4,315	\$ 2,331	\$ 1,984
Office equipment	634	365	269
Computer hardware and software	22,908	16,165	6,743
Leasehold improvements	1,279	805	474
	\$ 29,136	\$ 19,666	\$ 9,470

NOTE 5—OTHER ASSETS

	June 30,	
	2001	2000
	(in thousands)	
Investments	\$ 1,086	\$ 2,516
Purchased software (net of accumulated amortization of \$1,680; 2000 - \$400)	4,713	691
Core technology (net of accumulated amortization of \$1,079; 2000 - \$482)	2,929	2,370
Other	1,342	983
	\$ 10,070	\$ 6,560

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

NOTE 6—BANK INDEBTEDNESS

The Company has a CDN \$10.0 million (USD \$6.6 million) line of credit with a Canadian chartered bank, under which no borrowings were outstanding at June 30, 2001 and 2000. The line of credit bears interest at the lender's prime rate plus 0.5%. The Company has provided all of its assets including an assignment of accounts receivable as collateral for this line of credit. During 2001, 2000, and 1999 borrowings and interest cost on bank indebtedness were insignificant.

NOTE 7 - ACCOUNTS PAYABLE - TRADE AND ACCRUED LIABILITIES

	<u>June 30,</u>	
	<u>2001</u>	<u>2000</u>
	(in thousands)	
Accounts payable - trade	\$ 3,266	\$ 3,757
Accrued trade liabilities	6,637	6,173
Amounts payable related to acquisitions	1,425	968
Restructuring	-	221
Accrued salaries and commissions	7,087	7,241
Other liabilities	120	62
	<u>\$ 18,535</u>	<u>\$ 18,422</u>

NOTE 8—SHARE CAPITAL

The authorized share capital of the Company includes an unlimited number of Common Shares and an unlimited number of first preference shares. No preference shares are issued.

During fiscal 2001, the Company repurchased for cancellation 886,000 common shares at a cost of \$21.3 million, of which \$9.1 million has been charged to share capital and \$12.2 million has been charged to deficit.

During fiscal 2000, the Company repurchased for cancellation 4,849,300 common shares at a cost of \$96.7 million, of which \$49.7 million has been charged to share capital and \$47 million has been charged to deficit.

In November 1999, the Company announced its intention to purchase from time to time, if considered advisable and subject to regulatory approval, up to an aggregate of 1,981,634 common shares over the next 12 month period. At that time the repurchase represented 10% of the "public float" on The Toronto Stock Exchange. All common shares purchased by Open Text pursuant to the notice were cancelled. Between March and June 2000, the Company repurchased a total of 120,800 common shares at a total cost of \$3.6 million, of which \$1.2 million has been charged to share capital and \$2.4 million has been charged to deficit.

On May 3, 1999, the Company completed the issuance in Canada of 3,000,000 Special Warrants convertible into Common Shares at a price of \$34.00 per Special Warrant for net proceeds of \$97.4 million. A receipt for a final prospectus was filed on August 30, 1999 and all of the Special Warrants were converted on September 7, 1999 without additional consideration.

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

NOTE 9—OPTION PLANS

1995 “Restated” Flexible Stock Incentive Plan

In June 1995, the Company adopted the 1995 Flexible Stock Incentive Plan (the “Incentive Plan”) for employees, officers, directors and consultants. The plan allowed the grant of options to purchase an aggregate of 782,500 Common Shares at an exercise price of \$0.15 per share.

Options granted under the Incentive Plan vest over a four or five year period. Under the Incentive Plan, options are exercisable for a period of up to seven years from the grant date. Vested options terminate immediately upon an optionee’s termination “for cause” and 90 days after termination for any other reason. Unvested options terminate immediately upon the termination of an optionee’s employment or service to the Company.

During fiscal 1997, additional new options to purchase 3,902,514 Common Shares were granted under the Incentive Plan at exercise prices between \$4.25 and \$10.25.

During fiscal 1998, additional new options to purchase 1,568,057 Common Shares were granted under the Incentive Plan at exercise prices between \$9.25 and \$21.00. The Board of Directors increased the number of Common Shares available under the Incentive Plan to accommodate these grants.

1995 Replacement Stock Option Plan

In October 1995, the Company adopted the 1995 Replacement Stock Option Plan (the “Replacement Plan”). The Replacement Plan provides for the granting of options to purchase an aggregate of 548,255 Common Shares to directors, officers, employees and consultants of Odesta who held options under Odesta’s stock option plan. Options to purchase 548,255 Common Shares have been issued at an exercise price of \$0.0005 per share and vested immediately.

Under the Replacement Plan, options are exercisable for a period of a ten years from the grant date. Replacement Options terminate immediately upon the termination of an optionee’s employment or service to the Company “for cause” and 90 days after termination for any other reason.

1995 Supplementary Stock Option Plan

In October 1995, the Company adopted the 1995 Supplementary Stock Option Plan. This plan provides for the granting of options to purchase an aggregate of 357,000 Common Shares to eligible former directors and employees of Odesta. Options to purchase 357,500 Common Shares have been issued at an exercise price of \$14.00 per share. Options granted under the Supplementary Plan vest over a two-year period. Under the Supplementary Plan, options are exercisable for a period of ten years from the grant date. Vested options terminate 90 days after termination of an optionee’s employment or service to the Company for any reason.

1995 Directors Stock Option Plan

The Directors Stock Option Plan (the “Directors Plan”) provides for the granting of options to purchase an aggregate of 50,000 Common Shares to eligible non-employee directors of the Company. This was subsequently increased by 500,000. In accordance with the Directors Plan, the Plan Administrator determines the non-employee directors for the Company to whom options are granted, the number of Common Shares subject to each option, the exercise price and vesting schedule of each option. At June 30, 2001, 524,000 options had been granted to date and 143,000 had been cancelled to date under the Directors Plan of which 196,500 options in total are outstanding and eligible to purchase Common Shares as follows: 27,000 options at an exercise price of \$6.63 vesting over four years from the date of grant; 12,000 options at an exercise price of \$9.97 vesting over four years from the date of grant; 27,000 options at an exercise price of \$11.18 vesting over four years from the date of grant; 44,000 options at an

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exercise price of \$12.90 vesting over four years from the date of grant and 86,500 options at an exercise price of \$14.81 vesting over four years from the date of grant.

Option Exchange Program

On September 10, 1996, the Board of Directors authorized an option exchange program (the "Program") whereby employees who have been granted options to acquire Common Shares of the Company under the 1995 Flexible Stock Incentive Plan (the "Flexible Plan") and the 1995 Supplementary Stock Option Plan (the "Supplementary Plan") were permitted to exchange those options on a one-for-one basis, for an option to acquire Common Shares of the Company with an exercise price of \$4.25 (the "Exchange Options"). This was subsequently approved by the shareholders. The Exchange Options vest and become exercisable, as to 10% of the Common Shares subject to option, the later of six months after the date of grant or the date the original option was scheduled to first vest (the "initial vesting date"), as to the next 10% of the Common Shares subject to option, six months after the initial vesting date, and as to the remainder of the Common Shares subject to option, 5% at the end of each quarter following one year after the initial vesting date.

A total of 510,452 options to acquire Common Shares of the Company from the Flexible and Supplementary plans were eligible for exchange under the Program with an average exercise price of \$12.89. A total of 140,830 options under the Flexible Plan with a weighted average exercise price of \$10.90 were exchanged for 140,830 Exchange Options and 335,000 options under the Supplementary Plan with an exercise price of \$14.00 were exchanged for 335,000 Exchange Options.

1998 Stock Option Plan

On June 23, 1998, the Board of Directors adopted the Company's 1998 Stock Option Plan (the "New Option Plan"). Under the New Option Plan, non-transferable options to purchase Common Shares may be granted to employees and directors of, and persons providing services to, the Company and its subsidiaries based on eligibility criteria set forth in the New Option Plan. The exercise price of any option to be granted under the New Option Plan is to be determined by the Board of Directors of the Company but shall not be less than the closing price of the Common Shares on the day immediately preceding the date of grant on the quotation system or stock exchange which had the greatest volume of trading of Common Shares. The maximum number of Common Shares issuable pursuant to the New Option Plan is 1,800,000 and the aggregate number of Common Shares reserved for issuance to any one person pursuant to the options granted under the New Option Plan or any other share compensation arrangement shall not exceed five percent (5%) of the outstanding Common Shares. The number of Common Shares reserved for issuance pursuant to all options granted to insiders under the New Option Plan and other share compensation arrangements shall not exceed fifteen percent (15%) of the outstanding Common Shares. In addition, the issuance to any one insider and such insider's associates, within a one-year period, of Common Shares issued pursuant to all share compensation arrangements may not exceed five percent (5%) of the outstanding Common Shares and the issuance to all insiders, within a one-year period, of Common Shares issued pursuant to all share compensation arrangements may not exceed ten percent (10%) of the outstanding Common Shares.

The New Option Plan provides that the Company may make loans, the repayment of which shall be secured by the Common Shares purchased with the proceeds of such loans, or provide guarantees for loans to assist option holders to purchase Common Shares upon exercise of options granted pursuant to the New Option Plan or to assist option holders in payment of taxes eligible upon exercise of options granted pursuant to the New Option Plan. The terms of any option granted under the New Option Plan will not be permitted to exceed ten years.

Under the New Option Plan, the options for directors and senior officers will vest over a period specified by the Board of Directors at the time of grant. If an option holder resigns or ceases to be an employee or director of the Company or ceases to be engaged by the Company other than for cause or breach of duty, options held by such holder may be exercised prior to the 90th day following such occurrence. If an option holder ceases to be an employee or director of the Company or ceases to be engaged by the Company for cause or breach of duty, no options held by such holder may be exercised, and the option holder shall have no rights to any Common Shares in

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respect of such options following the date of notice of such cessation or termination, except in accordance with a written agreement with the Company.

The New Option Plan is administered by the Board of Directors, which has the authority, subject to the terms of the New Option Plan, to determine the persons to whom options may be granted, the exercise price and number of shares subject to each option, the time or times at which all or a portion of each option may be exercised and certain other provisions of each option, including vesting provisions.

With the approval of the New Option Plan on June 23, 1998 by the Board, no further options will be issued under any of the previous option plans.

During fiscal 1999, additional new options to purchase 1,458,045 Common Shares were granted under the New Option Plan at an average exercise price of \$18.80.

During fiscal 2000, additional new options to purchase 561,386 Common Shares were granted under the New Option Plan at an average exercise price of \$19.83.

During fiscal 2001, additional new options to purchase 184,750 Common Shares were granted under the New Option Plan at an average exercise price of \$19.71.

Summary of Outstanding Stock Options

As of June 30, 2001, options to purchase an aggregate of 2,881,114 Common Shares were outstanding under all of the Company's stock option plans out of an allowable pool of options totaling 5,313,991. Options to purchase 1,806,840 shares had an average price of \$11.19. At June 30, 2000, options to purchase 1,475,324 shares had an average price of \$9.54. At June 30, 1999, options to purchase 1,010,361 shares had an average exercise price of \$7.14.

A summary of option activity since June 30, 1998 is set forth below:

	Number	Exercise Price
Options outstanding at June 30, 1998	5,066,090	7.62
Granted during fiscal 1999	1,458,045	18.80
Cancelled	(745,349)	9.38
Exercised	(1,363,740)	6.66
Options outstanding at June 30, 1999	4,415,046	11.35
Granted during fiscal 2000	561,386	19.83
Cancelled	(839,230)	14.55
Exercised	(768,402)	7.36
Options outstanding at June 30, 2000	3,368,800	12.86
Granted during fiscal 2001	184,750	19.71
Cancelled	(210,122)	19.91
Exercised	(462,314)	8.19
Options outstanding at June 30, 2001	2,881,114	13.54

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The following table summarizes information regarding stock options outstanding at June 30, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at June 30, 2001	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Outstanding at June 30, 2001	Weighted Average Exercise Price
\$ 0.15 - \$ 6.63	509,794	5.20	\$5.25	496,828	\$5.27
6.88 - 8.00	461,442	5.98	8.80	460,442	8.81
8.50 - 11.25	209,135	6.37	10.04	135,252	9.93
11.44 - 20.94	1,269,936	7.54	14.82	554,264	14.19
21.88 - 31.50	296,974	8.04	24.29	100,189	24.90
30.50 - 40.00	<u>133,833</u>	7.91	31.01	<u>59,865</u>	30.81
\$ 0.15 - \$ 40.00	<u><u>2,881,114</u></u>	6.86	13.54	<u><u>1,806,840</u></u>	11.19

Employee Stock Purchase Plan

On March 5, 1998, the shareholders of the Company approved an Employee Stock Purchase Plan (“ESPP”) whereby employees of the Company can subscribe to purchase Common Shares through payroll withholdings from the treasury of the Company at 85% of the lesser of: (1) the average of the last five days of the last ESPP period or (2) the average price of the last five days of the current ESPP period. An aggregate 500,000 Common Shares have been reserved for purchase under the ESPP, subject to adjustments in the event of stock dividends, stock splits, combinations of shares, or other similar changes in capitalization of the Company. During fiscal 2001, a total of 131,732 Common Shares were issued under the ESPP and during fiscal 2000, a total of 111,057 Common Shares were issued under the ESPP.

The Company applies the intrinsic value method prescribed in APB No 25, Accounting for Stock Issued to Employees in accounting for its stock-based compensation plans. Had compensation cost for the Company’s stock-based compensation plans and the employee stock purchase plan have been determined using the fair value approach set forth in SFAS No. 123, Accounting for Stock-Based Compensation, the Company’s net income for the year and net income per share would have been in accordance with the pro forma amounts indicated below:

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	Year ended June 30,		
	2001	2000	1999
Net income for the year	(in thousands)		
As reported	\$ 10,796	\$ 25,079	\$ 20,170
Pro forma	\$ 5,801	\$ 17,663	\$ 12,213
Net income per share - basic			
As reported	\$ 0.54	\$ 1.12	\$ 0.96
Pro forma	\$ 0.29	\$ 0.79	\$ 0.60
Net income per share - diluted			
As reported	\$ 0.50	\$ 1.03	\$ 0.85
Pro forma	\$ 0.27	\$ 0.75	\$ 0.54

The fair value of each stock option grant on the date of grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for the stock-based compensation plans:

	Year ended June 30,		
	2001	2000	1999
Volatility	71%	100%	79%
Risk-free interest rate	6%	6%	6%
Dividend yield	-	-	-
Expected lives (in years)	5.5	5.5	5.8
Weighted average fair value (in dollars)	\$ 12.97	\$ 15.78	\$ 13.42

NOTE 10—COMMITMENTS

The Company has entered into operating leases for premises and vehicles with minimum annual payments as follows:

	(in thousands)
2002	\$ 5,280
2003	4,769
2004	3,179
2005	2,188
Thereafter	7,045
	\$ 22,461

Rent expense amounted to \$5.1 million in 2001, \$4.2 million in 2000, and \$3.4 million in 1999.

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NOTE 11—OTHER INCOME (LOSS)

	Year ended June 30,		
	2001	2000	1999
	(in thousands)		
Gain (loss) on sale of investments, net of disposal costs	\$ (2,971)	\$ 49,016	\$ 991
Recovery of Acquisition accrual	734	0	0
Gain associated with investment activities	-	-	1,080
Gain on sale of other investments	(2,237)	49,016	2,071
Cost associated with investment activities	-	-	(1,196)
Balance of other income	(180)	(51)	(448)
Other income (loss)	\$ (2,417)	\$ 48,965	\$ 427

During fiscal 2001 and 2000, the Company sold 8,900 and 876,301 shares, respectively, of its investment in Primedia, representing its entire interest in this investment.

NOTE 12—INCOME TAXES

The Company operates in several tax jurisdictions. Its income is subject to varying rates of tax, and losses incurred in one jurisdiction cannot be used to offset income taxes payable in another.

The income (loss) before income taxes consisted of the following:

	Year Ended June 30,		
	2001	2000	1999
	(in thousands)		
Domestic income (loss)	(1,297)	46,486	3,650
Foreign income (loss)	13,322	(985)	7,883
Income before income taxes	\$ 12,025	\$ 45,501	\$ 11,533

A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective income tax rate is as follows:

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	Year Ended June 30,		
	2001	2000	1999
	(in thousands)		
Expected statutory rate (recovery)	43.0%	44.5%	44.6%
Expected provision for (recovery of) income tax	\$ 5,171	\$ 20,249	\$ 5,144
Effect of expenses not deductible for tax purposes	1,435	-	-
Effect of foreign tax rate differences	(1,035)	360	(459)
Non-taxable portion of capital gain	-	(5,050)	-
Tax incentive for research and development	-	(78)	(1,245)
Benefit of losses carried forward and back	(6,300)	-	-
Future benefit of losses acquired on acquisitions	(3,400)		
Change in valuation allowance	4,800	4,604	(11,673)
Other items	558	337	(404)
	<u>\$ 1,229</u>	<u>\$ 20,422</u>	<u>\$ (8,637)</u>

The provision (recovery) for income taxes consisted of the following:

	Year Ended June 30,		
	2001	2000	1999
	(in thousands)		
Domestic:			
Current income taxes	\$ (600)	\$ 10,490	\$ -
Deferred income taxes	450	7,000	(5,642)
	<u>\$ (150)</u>	<u>\$ 17,490</u>	<u>\$ (5,642)</u>
Foreign:			
Current income taxes	\$ (371)	\$ 420	\$ 446
Deferred income taxes	1,750	2,512	(3,441)
	<u>\$ 1,379</u>	<u>\$ 2,932</u>	<u>\$ (2,995)</u>
Provision for (recovery of) income taxes	<u>\$ 1,229</u>	<u>\$ 20,422</u>	<u>\$ (8,637)</u>

The Company has domestic non-capital loss carry forwards of \$4.9 million which expire between 2002 and 2007. In addition, the Company has approximately \$26.0 million of foreign non-capital loss carry forwards of which \$8.3 million have no expiry date. The remainder expire between 2004 and 2011. The Company also has \$1.9 million of foreign capital loss carryforwards which have no expiry date.

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The primary temporary differences which gave rise to deferred taxes at June 30, 2001 and 2000 are:

	Year Ended June 30,	
	2001	2000
	(in thousands)	
Deferred tax assets		
Net loss carryforwards	\$ 12,600	\$ 9,700
Employee stock options	900	3,300
Scientific research and development tax credits	1,500	1,500
Depreciation and amortization	1,900	-
Share issue costs	200	800
Total deferred tax asset	17,100	15,300
Less, valuation allowance	(17,100)	(12,300)
	-	3,000
Deferred tax liabilities		
Depreciation and amortization	-	800
Available for sale securities	-	54
	-	854
Net deferred tax asset (liability)	\$ -	\$ 2,146

The net deferred tax assets are reflected in the balance sheet as follows:

Current deferred tax asset	\$ -	\$ -
Current deferred tax liability	-	(54)
Long term deferred tax asset	-	2,200
	\$ -	\$ 2,146

The Company believes that sufficient uncertainty exists regarding the realization of certain deferred tax assets that a valuation allowance is required. The Company continues to evaluate and examine the valuation allowances on a quarterly basis and at such time future uncertainties are resolved, the valuation allowances may be reduced further.

Included in the tax benefits related to the net loss carry forwards above are tax deductions associated with employee's stock option exercises in the amount of \$5.9 million (2000 - \$5.9 million). As the valuation allowance against these deductions is reduced in the future, the benefit of the deductions is credited to shareholders' equity.

NOTE 13—SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the reporting by public business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method of determining what information to report is based on the way that management organizes the operating segments within the Company for making operational decisions and assessments of financial performance.

The Company has two reportable segments: North America, and Europe. The Company evaluates operating segment performance based on total revenues and operating costs of the segment. The accounting policies

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of the operating segments are the same as those described in the summary of accounting policies. No segments have been aggregated.

Information about reported segments is as follows:

	North America	Europe	Other	Total
	(in thousands)			
2001				
Total Revenues	\$ 86,471	\$ 54,778	\$ 6,450	\$ 147,699
Operating costs	73,483	50,127	3,684	127,294
Contribution margin	\$ 12,988	\$ 4,651	\$ 2,766	\$ 20,405
Segment assets	\$ 63,276	\$ 30,244	\$ 1,787	\$ 95,307
2000				
Total Revenues	\$ 68,351	\$ 40,531	\$ 4,063	\$ 112,945
Operating costs	62,491	46,680	3,233	112,404
Contribution margin	\$ 5,860	\$ (6,149)	\$ 830	\$ 541
Segment assets	\$ 50,690	\$ 28,841	\$ 713	\$ 80,244
1999				
Total Revenues	\$ 54,690	\$ 34,838	\$ 3,009	\$ 92,537
Operating costs	36,546	34,869	1,302	72,717
Contribution margin	\$ 18,144	\$ (31)	\$ 1,707	\$ 19,820
Segment assets	\$ 56,270	\$ 24,797	\$ 736	\$ 81,803

Included in the above operating results are allocations of certain operating costs which are incurred in one reporting segment but which relate to all reporting segments. The allocations of these common operating costs are consistent with the manner in which they are allocated for presentation to, and analysis by, the chief operating decision maker of the Company. For the year ended June 30, 2001, 2000 and 1999, the "Other" category consists of geographic regions other than North America and Europe.

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A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements for the years ended June 30, 2001, 2000 and 1999 is as follows:

	Year Ended June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Total contribution margin from operating segments above	\$ 20,405	\$ 541	\$ 19,820
Amortization and depreciation	<u>(10,638)</u>	<u>(7,948)</u>	<u>(10,055)</u>
Total operating income (loss)	9,767	(7,407)	9,765
Intercompany transactions	-	-	(5)
Interest, other income and taxes	<u>1,029</u>	<u>32,486</u>	<u>10,410</u>
Net income for the year	<u>\$ 10,796</u>	<u>\$ 25,079</u>	<u>\$ 20,170</u>

	As of June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Segment assets	\$ 95,307	\$ 80,244	\$ 81,803
Available for sale securities	-	284	45,920
Investments	1,086	2,791	2,051
Cash and cash equivalents	<u>78,609</u>	<u>99,931</u>	<u>135,000</u>
Total corporate assets	<u>\$ 175,002</u>	<u>\$ 183,250</u>	<u>\$ 264,774</u>

Contribution margin from operating segments does not include amortization of intangible assets, acquired in-process research and development and restructuring costs. Goodwill and intangibles have been assigned in segment assets based on the location of the acquired business operations to which they relate.

The distribution of net revenues determined by location of customer, and identifiable assets, greater than 10%, by geographic areas for the years ended June 30, 2001, 2000 and 1999 are as follows:

	Year Ended June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Total revenues:			
Canada	\$ 11,594	\$ 10,717	\$ 7,394
United States	78,712	58,331	47,299
United Kingdom	19,905	15,746	7,449
Other	<u>37,488</u>	<u>28,151</u>	<u>30,395</u>
Total revenues	<u>\$ 147,699</u>	<u>\$ 112,945</u>	<u>\$ 92,537</u>

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	As of June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Segment assets:			
Canada	\$ 15,525	\$ 17,879	\$ 14,905
United States	48,415	35,293	40,270
United Kingdom	10,266	11,301	11,055
Other	<u>21,101</u>	<u>15,771</u>	<u>15,573</u>
Total segment assets	<u>\$ 95,307</u>	<u>\$ 80,244</u>	<u>\$ 81,803</u>

NOTE 14—SUPPLEMENTAL CASH DISCLOSURES

	Year Ended June 30,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands)		
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$ 56	\$ 97	\$ 47
Cash paid during the period for taxes	7,626	306	0
Supplemental schedule of non cash investing and financing activities:			
Conversion of special warrants to Common Shares	-	97,420	34,800
Conversion of shares set aside to Common Shares	-	-	91

NOTE 15—ACQUISITIONS

Fiscal 2001

Bluebird Systems

In October 2000, Open Text acquired all of the issued and outstanding share capital of Bluebird Systems (“Bluebird”), of Carlsbad, California. Consideration for this acquisition is comprised of (1) cash of \$8 million paid on closing; and (2) additional cash consideration to be earned over the eight subsequent three-month periods following the closing, contingent upon Bluebird meeting certain revenue and net income targets.

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The Company allocated the total purchase price to the assets and liabilities acquired as follows:

	(in thousands)
Tangible net liabilities	(114)
Current software products	2,346
Core technology	1,156
Goodwill	<u>4,612</u>
	<u>\$ 8,000</u>

Included in tangible net liabilities is an amount of \$646 representing direct acquisition costs, involuntary terminations, and office closure costs. The liabilities included \$504 of direct acquisition costs, \$75 for involuntary terminations, and \$67 for office closures. An acquisition accrual of \$370 remains on the balance sheet at June 30, 2001.

The acquired software technology was valued using a stage of completion model. Projected revenue net of operating expenses and income taxes were discounted to a present value using a risk-adjusted rate of return. Software technology was divided into two categories:

- current software products
- core technology

Current software products include products currently in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$2.3 million. This amount was recorded as an asset and is being amortized on a straight-line basis over four years. The fair market value of core technology was determined to be \$1.2 million. This amount was recorded as an asset and is being amortized on a straight-line basis over seven years.

The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$4.6 million which will be amortized on a straight-line basis over ten years. Any additional consideration earned by the former shareholders of Bluebird will be accounted for as part of the purchase price, and consequently will be recorded as additional goodwill.

LeadingSide

In November 2000, Open Text acquired the product business of LeadingSide Inc. ("LeadingSide") of Cambridge, Massachusetts, for cash consideration of \$3 million. LeadingSide is an e-business solution provider that designs, develops and deploys knowledge driven solutions to Global 2000 companies.

The Company allocated the total purchase price to the assets acquired as follows:

	(in thousands)
Tangible net liabilities	\$ (1,869)
Current software products	\$ 2,654
Goodwill	<u>2,215</u>
	<u>\$ 3,000</u>

Included in tangible net liabilities is an amount of \$1.8 million representing direct acquisition costs, office closure costs, and certain contingencies. The liabilities included \$543 of direct acquisition costs, \$80 for office closures,

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and \$1.2 million for acquired commitments. An acquisition accrual of \$643 remains on the balance sheet at June 30, 2001.

The acquired software products were valued using a stage of completion model. Projected revenue net of operating expenses and income taxes were discounted to a present value using a risk-adjusted rate of return.

Current software products include products currently in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$2.7 million. This amount was recorded as an asset and will be amortized on a straight-line basis over four years. The excess of the purchase price over the fair

market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$2.2 million which is being amortized on a straight-line basis over seven years.

Open Image

In November 2000, Open Text acquired all of the outstanding shares of Open Image Systems Inc. ("Open Image") of Toronto, Ontario for cash consideration of \$2.1 million.

The Company allocated the total purchase price to the net assets acquired as follows:

	(in thousands)
Tangible net liabilities	\$ (239)
Current products	302
Goodwill	<u>1,992</u>
	<u>\$ 2,055</u>

Included in tangible net liabilities is an amount of \$204 representing direct acquisition costs, office closure costs, and certain contingencies. The liabilities included \$98 of direct acquisition costs, \$38 for office closures, and \$68 for acquired commitments. An acquisition accrual of \$205 remains on the balance sheet at June 30, 2001.

The acquired software products were valued using a stage of completion model. Projected revenue net of operating expenses and income taxes were discounted to a present value using a risk-adjusted rate of return.

Current software products include products currently in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$302. This amount was recorded as an asset and will be amortized on a straight-line basis over four years. The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$2 million which will be amortized on a straight-line basis over five years.

Base 4

In January 2001, Open Text acquired all of the outstanding shares of Base 4 Inc. ("Base 4") of Toronto, Ontario for cash consideration of \$529. Base 4's PharMatrix product is designed to facilitate the capture, storage and dissemination of knowledge generated during the complete project lifecycle of the pharmaceutical discovery process.

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The Company allocated the total purchase price to the net assets acquired as follows:

	(in thousands)
Tangible net liabilities	\$ (701)
Goodwill	<u>1,240</u>
	<u>\$ 539</u>

Included in tangible net liabilities is an amount of \$335 representing direct acquisition costs, office closure costs, involuntary termination costs and acquired commitments. The liabilities included \$70 of direct acquisition costs, \$75 for office closures, \$100 for involuntary terminations and \$90 for certain contingencies. An acquisition accrual of \$207 remains on the balance sheet at June 30, 2001.

The excess of the purchase price over the fair market value of the acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$1.2 million which will be amortized on a straight-line basis over five years.

Fiscal 2000

PS Software

In August 1999, Open Text acquired all the outstanding shares of PS Software Solutions Ltd. ”) for approximately \$2.0 million in cash paid at closing and 40,000 shares, valued at \$1.0 million.

The Company allocated the total purchase price to the assets acquired as follows:

	(in thousands)
Goodwill	\$ 3,201
Tangible net liabilities	<u>(201)</u>
	<u>\$ 3,000</u>

Included in tangible net liabilities is an amount of \$655,000 for direct acquisition costs, involuntary terminations, costs to exit certain activities and certain contingencies. The liabilities included \$215,000 for direct acquisition costs, \$100,000 for involuntary terminations of management and certain development, sales and administrative staff, \$340,000 for lease terminations and office closures. During fiscal 2000, the Company subleased the vacated premises of PS Software for a portion of the outstanding lease term; consequently, there is an adjustment to goodwill of \$76,000. Management assessed the reasonability of direct acquisition and involuntary terminations and adjusted goodwill by \$39,000 and \$35,000 respectively. During the year ended June 30, 2000, the Company paid and charged against the liability \$191,000 in direct acquisition costs, \$62,000 for involuntary terminations, and \$84,000 for lease terminations and office closures.

The excess of the purchase price over the fair value of acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$3.2 million which will be amortized on a straight-line basis over ten years.

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

Microstar

In September 1999, 3557855 Canada Inc., a wholly owned subsidiary of Open Text Corporation acquired 92.87% of Microstar Software Ltd.'s issued and outstanding share capital for approximately \$4.6 million in cash paid at closing.

The Company allocated the total purchase price to the assets acquired as follows:

	(in thousands)
Goodwill	\$ 4,763
Tangible net liabilities	<u>(159)</u>
	<u>\$ 4.604</u>

Included in tangible net liabilities is an amount of \$882,000 for direct acquisition costs, involuntary terminations, costs to exit certain activities and certain contingencies. The liabilities included \$854,000 for direct acquisition costs, \$16,000 for involuntary terminations of management and certain development, sales and administrative staff, and \$12,000 for office closures. During the year ended June 30, 2000, the Company paid and charged against the liability \$725,000 in direct acquisition costs, \$16,000 for involuntary terminations, and \$12,000 for office closures. Consequently, \$78,000 remains in the acquisition accrual at June 30, 2001 relating primarily to direct acquisition costs which are still outstanding.

The excess of the purchase price over the fair value of acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$4.8 million which will be amortized on a straight-line basis over ten years.

Fiscal 1999

Lava

On December 29, 1998 the Company acquired certain of the assets and liabilities of Lava Systems Inc., ("Lava") for approximately \$2.3 million in cash paid at closing, in a transaction which has been accounted for under the purchase method. The operations of Lava have been included in the financial statements from the purchase date.

The Company allocated the total purchase price to the assets acquired as follows:

	(in thousands)
Tangible net liabilities	\$ (4,051)
Current software products	707
Goodwill	2,222
Acquired in-process research and development	<u>3,419</u>
	<u>\$ 2,297</u>

Included in tangible net liabilities is an amount of \$4.5 million for direct acquisition costs, involuntary terminations, costs to exit certain activities and certain contingencies. The liabilities included \$765,000 for direct acquisition costs, \$800,000 for involuntary terminations of management and certain development, sales and administrative staff, \$1.1 million for lease terminations, relocation expenses and other contract losses and \$1.9 million for potential claims of former employees of Lava for terminations occurring prior to the acquisition date.

The valuation of the in-process research and development was prepared using the stage of completion model whereby future net operating cash flows from products currently being developed are discounted to present

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

values using a risk-adjusted discount rate of 30% after appropriate allocation to existing core products. In the valuation model, the Company contemplated sales of \$750,000 in fiscal 1999, \$1.5 million in 2000, and \$2 million in 2001. The Lava Claims Enabler product requires a significant amount of integration at each installation and accordingly professional service revenue is contemplated to be \$1.9 million in fiscal 1999, \$3.8 million in 2000, \$5 million in 2001. Product margins and professional services margins and operating costs used in the valuation model were similar to those the Company currently experiences.

As a result of the valuation, the fair market value of the acquired in-process research and development was determined to be \$3.4 million. In accordance with applicable accounting rules, this amount was expensed upon acquisition in the second quarter of fiscal 1999.

Current software products include products currently in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be \$707,000. This amount was recorded as an asset and will be amortized on a straight-line basis over two years. The excess of the purchase price over the fair value of acquired identifiable assets and liabilities assumed has been recorded as goodwill in the amount of \$2.2 million which will be amortized on a straight-line basis over ten years.

NOTE 16—NET INCOME PER SHARE

	Year Ended June 30,		
	2001	2000	1999
	(in thousands, except per share data)		
Basic income per share			
Net income	<u>\$ 10,796</u>	<u>\$ 25,079</u>	<u>\$ 20,170</u>
Weighted average number of shares outstanding	20,032	21,791	20,914
Weighted average of special warrants	<u>-</u>	<u>557</u>	<u>-</u>
Adjusted weighted average number of shares outstanding	<u>20,032</u>	<u>22,348</u>	<u>20,914</u>
Basic income per share	<u>\$ 0.54</u>	<u>\$ 1.12</u>	<u>\$ 0.96</u>
Diluted income per share			
Net income	<u>\$ 10,796</u>	<u>\$ 25,079</u>	<u>\$ 20,170</u>
Weighted average number of shares outstanding	20,032	22,348	20,914
Dilutive effect of stock options *	<u>1,434</u>	<u>2,073</u>	<u>2,814</u>
Adjusted weighted average number of shares outstanding	<u>21,466</u>	<u>24,421</u>	<u>23,729</u>
Diluted income per share	<u>\$ 0.50</u>	<u>\$ 1.03</u>	<u>\$ 0.85</u>

* anti-dilutive options of 322,529 have been excluded (fiscal 2000 - 382,570)

OPEN TEXT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For each of the three years in the period ended June 30, 2001

NOTE 17—RESTRUCTURING

During the year ended June 30, 2000, the Company recorded a restructuring charge of \$1.8 million. The restructuring resulted in the closure of the Company's Toronto, Ontario office and the London, UK office. In addition, 45 employees were terminated: 31 in North America and 14 in Europe. At June 30, 2000 severance amounts relating to two employees remained outstanding. These amounts were settled throughout the first and second quarters of fiscal 2001.

	<u>Severance & Related Costs</u>	<u>Facilities Closure</u>	<u>Total</u>
Charge during the period ended December 31, 1999	\$ 1,641	\$ 381	\$ 2,022
Adjustments to restructuring accrual	<u>(38)</u>	<u>(210)</u>	<u>(248)</u>
Charge during the year ended June 30, 2000	1,603	171	1,774
Paid during fiscal 2000	<u>1,382</u>	<u>171</u>	<u>1,553</u>
Balance of the accrual as at June 30, 2000	221	-	221
Paid during fiscal 2001	<u>221</u>	<u>-</u>	<u>221</u>
Balance of the accrual as at June 30, 2001	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 18—RECLASSIFICATION

The accounts for the comparative periods have been reclassified to conform to the presentation adopted in the current year.

NOTE 19—RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations". SFAS No. 141 requires that all business combinations be accounted for under the purchase method for business combinations initiated after June 30, 2001 for which the date of acquisition is July 1, 2001 or later. Use of the pooling-of-interest method is no longer permitted. In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill no longer be amortized to earnings, but instead be periodically reviewed for impairment. SFAS No. 142 may be early-adopted under certain circumstances starting with fiscal years beginning after March 15, 2001 and must be adopted starting with fiscal years beginning after December 15, 2001. The impact of the remaining provision of adopting SFAS No. 141 and SFAS No. 142 has not been determined.

OPEN TEXT COPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For each of the three years in the period ended June 30, 2001

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Assets and Extinguishments of Liabilities". This statement replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS No. 125's provisions without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 which is during the Company's fourth quarter of fiscal 2001. The adoption of SFAS 140 did not have a material impact on its results of operations or financial position.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes new accounting and reporting standards for derivative financial instruments and for hedging activities. SFAS No. 133 requires the Company to measure all derivatives at fair value and to recognize them on the balance sheet as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date of adoption of SFAS No. 133 for one year. Currently, as the Company has no derivative instruments, the adoption of SFAS No. 133 would have no impact on the Company's financial position or results of operations. To the extent the Company begins to enter into such transactions in the future, the Company will adopt the Statement's disclosure requirements in the quarterly and annual financial statements for the year ending June 30, 2002. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", an amendment of SFAS No. 133. SFAS No. 138 amends SFAS No. 133 to permit use of central treasury offsetting of net exposures of intercompany derivatives for foreign currency cash flow hedges. SFAS 138 must be adopted concurrently with SFAS 133.

On March 31, 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25" ("FIN 44"), providing new accounting rules for stock-based compensation under APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). FIN 44 does not change SFAS No. 123, "Accounting for Stock-based Compensation". The new rules are significant and will result in compensation expense in several situations in which no expense was historically recorded, including option repricing, purchase business combinations and plans that permit tax withholdings. FIN 44 is generally effective for transactions occurring after July 1, 2000, but applies to repricings and some other transactions after December 15, 1998. The adoption of this Interpretation did not have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition" ("SAB 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met in order to recognize revenue and provides guidance for disclosures related to revenue recognition policies. In June 2000, the SEC issued Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements" ("SAB 101B"), which extended the effective date of SAB 101 to the fourth fiscal quarter of fiscal years commencing after December 15, 1999. During the fourth quarter of fiscal 2001, the Company adopted SAB 101. The adoption of SAB 101 did not have a material effect on the Company's financial position or results of operations.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

- (i) On April 5, 2001, PricewaterhouseCoopers LLP (“PWC”) resigned as the Company’s independent auditors effective the same date. On April 9, 2001, the Company engaged KPMG LLP (“KPMG”) as independent auditors of the Company for the fiscal year ended June 30, 2001.
- (ii) The action to engage KPMG was taken upon the unanimous approval of the Audit Committee of the Board of Directors of the Company.
- (iii) The reports of PWC on the Company’s financial statements for the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to certainty, audit scope, or accounting principles.
- (iv) During the last two most recent fiscal years ended June 30, 1999 and June 30, 2000 and through April 5, 2001, there were no disagreements between the Company and PWC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of PWC would have caused PWC to make reference to the matter in its reports on the Company’s financial statements.
- (v) During the last two most recent fiscal years ended June 30, 1999 and June 30, 2000 and through April 5, 2001, there were no “reportable events” as that term is described in Item 304(a)(1)(v) of Regulation S-K.
- (vi) The Company requested that PWC furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agreed with the above statements. A copy of such letter, dated April 11, 2001, is filed as Exhibit 16.1 to the form 8-K, filed April 11, 2001.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information required by this item will be provided in the Company’s Amended and Restated Annual Report to be filed on form 10-K/A and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this item will be provided in the Company’s Amended and Restated Annual Report to be filed on form 10-K/A and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information required by this item will be provided in the Company’s Amended and Restated Annual Report to be filed on form 10-K/A and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information required by this item will be provided in the Company’s Amended and Restated Annual Report to be filed on form 10-K/A and is incorporated herein by reference.

PART IV

Item 14. Exhibits and Reports on Form 8-K

- a) The following documents are filed as a part of this report:
 - 1) Consolidated Financial Statements and Report of Independent Accountants are included under Item 8, in Part II.
 - 2) Consolidated Financial Statement Schedules and Report of Independent Public Accountants in those schedules are included as follows:

Schedule II – Valuation and Qualifying Accounts
 - 3) Exhibits: The following exhibits are filed as part of this Report.
- b) Reports on Form 8-K.

A current report on Form 8-K dated April 5, 2001 was filed with the Securities and Exchange Commission to report under item 4, Changes in Registrant's Certifying Accountant, as the Company announced that PricewaterhouseCoopers had resigned as the Company's independent auditors and KPMG had been hired as the Company's independent auditors for the year ended June 30, 2001.

PricewaterhouseCoopers LLP
Chartered Accountants
99 Bank Street
Suite 800
Ottawa Ontario
Canada K1P 1E4
Telephone +1 (613) 237 3702
Facsimile +1 (613) 237 3963

Our report on the consolidated financial statements of Open Text Corporation as of June 30, 2000 and 1999 and for the years ended June 30, 2000, 1999 and 1998 is included in Item 8 of their Form 10-K. In connection with our audits of such financial statements, we have also audited the related financial statement schedule II listing in Item 14(a)2 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included herein.

PricewaterhouseCoopers LLP

Chartered Accountants
Ottawa, Ontario
August 4, 2000

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4120 Yonge Street Suite 500
North York ON M2P 2B8
Canada

Telephone (416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

AUDITORS' REPORT

To the Shareholders of Open Text Corporation

Under date of August 7, 2001, we reported on the consolidated balance sheet of Open Text Corporation as at June 30, 2001, and the consolidated statement of operations, shareholders' equity and cash flows for the year then ended, which are included in Item 8 of their Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule, Schedule II – Valuation and Qualifying Accounts, which is included in Item 14(a)(2) of their Form 10-K. This consolidated financial statement schedule is the responsibility of the company's management. Our responsibility is to express an opinion on this consolidated financial statement schedule based on our audits. The consolidated financial statement schedule as at June 30, 2000 and 1999 and for the years then ended were audited by other auditors who expressed an opinion without reservation on that statement in their report dated August 4, 2000.

In our opinion, the consolidated financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Chartered Accountants

Toronto, Canada
August 7, 2001

OPEN TEXT CORPORATION

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

	(in thousands)
Balance of allowance for doubtful accounts as at June 30, 1998	1,635
Bad debt expense (recovery) for the year	(79)
Write-off/adjustments	<u>102</u>
Balance of allowance for doubtful accounts as at June 30, 1999	1,658
Bad debt expense for the year	7,788
Write-off/adjustments	<u>(8,413)</u>
Balance of allowance for doubtful accounts as at June 30, 2000	\$ 1,033
Bad debt expense for the year	1,280
Write-off/adjustments	<u>(855)</u>
Balance of allowance for doubtful accounts as at June 30, 2001	<u><u>\$ 1,458</u></u>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 30, 2001

OPEN TEXT CORPORATION

/s/Alan Hoverd

Alan Hoverd

Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/P Thomas Jenkins</u> P Thomas Jenkins	Director and Chief Executive Officer (Principal Executive Officer)	<u>September 30, 2001</u>
<u>/s/Alan Hoverd</u> Alan Hoverd	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	<u>September 30, 2001</u>
<u>/s/Richard C Black</u> Richard C Black	Director	<u>September 30, 2001</u>
<u>/s/John Shackleton</u> John Shackleton	President and Director	<u>September 30, 2001</u>
<u>/s/Randy Fowlie</u> Randy Fowlie	Director	<u>September 30, 2001</u>
<u>/s/Ken Olisa</u> Ken Olisa	Director	<u>September 30, 2001</u>
<u>/s/Stephen J Sadler</u> Stephen J Sadler	Director	<u>September 30, 2001</u>
<u>/s/Michael Slaunwhite</u> Michael Slaunwhite	Director	<u>September 30, 2001</u>
<u>/s/Paul J Stoyan</u> Paul J Stoyan	Director	<u>September 30, 2001</u>

OPEN TEXT CORPORATION

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Articles of Incorporation of the Company. (1)
3.2	Articles of Amalgamation of the Company. (1)
3.3	Articles of Amendment of the Company. (1)
3.4	By-law No. 1 of the Company. (1)
3.5	Articles of Amendment of the Company. (1)
3.6	By-law No. 2 of the Company. (1)
3.7	By-law No. 3 of the Company. (1)
3.8	Articles of Amalgamation of the Company. (1)
3.9	Articles of Amalgamation of the Company.
4.1	Form of Common Share Certificate. (1)
10.1	Restated 1995 Flexible Stock Incentive Plan. (3)
10.2	1995 Replacement Stock Option Plan. (1)
10.3	1995 Supplementary Stock Option Plan. (1)
10.4	1995 Directors Stock Option Plan. (1)
10.5	Amendment to Research Funding Agreement, dated October 31, 1995, between the University of Waterloo and the Company, and Research Funding Agreement, dated July 1, 1991, between the University of Waterloo and the Company. (1)
10.6	Technology Licensing Agreement, dated July 1, 1991, between Dr. Frank Tompa and the Company. (1)
10.7	Assignment Agreement, dated August 25, 1995, between Dr. Frank Tompa and 1136390 Ontario, Inc. (1)
10.8	License Agreement, dated August 25, 1995, between the University of Waterloo and the Company. (1)
10.9	Technology Development Agreement, dated August 25, 1995, between the University of Waterloo and the Company, and Amendment No. 1 thereto. (1)
10.10	Letter of offer, dated January 19, 1994, between the Canadian Strategic Software Consortium and the Minister of Industry, Science and Technology, Canada. (1)
10.11	Representation Letter, dated November 30, 1993, to Helix from the Company. (1)
10.12	License Agreement, dated August 1, 1995, between Mortice Kern Systems Inc. and 1136299 Ontario Limited. (1)
10.13	Amended and Restated Agreement and Plan of Merger, dated October 10, 1995, between Open Text Acquisition Corporation, Odesta Systems Corporation, Daniel Cheifetz, and the Company. (1)
10.14	Purchase Agreement, dated October 12, 1995, between Intunix AG and the Company. (1)
10.15	Security Agreement, dated May 29, 1992, between Royal Bank of Canada and the Company. (1)

- 10.16 Lease, dated March 3, 1994, between Wiebe Property Corporation Ltd. and the Company. (1)
- 10.17 Lease, dated October 6, 1994, between REGUS/Washington Tysons, Inc. and the Company. (1)
- 10.18 Agreement, dated January 1, 1995, between P Thomas Jenkins and the Company. (1)
- 10.19 Employment Agreement, dated October 13, 1995, between Marco Palatini and the Company. (1)
- 10.20 Employment Agreement, dated October 19, 1995, between Daniel Cheifetz and the Company. (1)
- 10.21 Form of Registration Rights Agreement, between Technology Crossover Ventures, L.P., Technology Crossover Ventures, C.V. and the Company. (1)
- 10.22 Confirmation letter, dated November 1, 1995, between Netscape Communications Corporation and the Company. (1)
- †10.23 OEM License Agreement, dated November 10, 1995, between Netscape Communications Corporation and the Company. (1)
- 10.24 Amending Agreement, dated October 6, 1995, between Helix (PEI) and the Company. (1)
- 10.25 Shareholders' Agreement, dated June 30, 1992, with certain amendments. (1)
- 10.26 Forms of Compensation Option Agreement, dated July 19, 1995 between Yorkton Securities Inc., Midland Walwyn Capital Inc., Griffiths McBurney & Partners Inc. and the Company. (1)
- 10.27 Share Purchase Agreement dated June 28, 1996 between Open Text Corporation and the shareholders of InfoDesign Corporation. (2)
- 10.28 Documentation relating to stock option grants and subsequent option exercises for P Thomas Jenkins. (3)
- 10.29 Letter Agreement, dated October 10, 1996 between the Company and Marco Palatini. (4)
- 10.30 Letter Agreement, dated October 10, 1996 between the Company and Daniel Cheifetz. (4)
- 10.31 Letter Agreement, dated May 27, 1997 between the Company and Brett Newbold. (5)
- 10.32 Letter Agreement, dated November 14, 1996 between the Company and Abraham Kleinfeld. (5)
- 10.33 Letter Agreement, dated April 25, 1997 between the Company and Anthony Heywood. (5)
- 10.34 Letter Agreement, dated July 10, 1997 between the Company and Kirk Roberts. (5)
- 10.35 Amendment to Agreement, dated January 22, 1997, between the Company and P Thomas Jenkins. (5)
- 10.36 Separation Agreement, dated August 14, 1997 between the Company and Keith Soley.
- 10.37 Lease, dated December 18, 1996 between Unipark III Inc. and the Company.
Indemnity agreement dated December 18, 1996 between the Cora Group Inc. and the Company. (5)
- 10.38 Lease, dated August 26, 1997, between CarrAmerica Realty Corporation and the Company. (5)
- 10.39 Amendment to Agreement, dated June 27, 1997 between INSO Corporation and the Company. (5)

- 10.40 Amendment to Agreement, dated June 10, 1997, between Netscape Communications Corporation and the Company. (5)
- 10.41 Letter Agreement, dated October 1, 1997 between the Company and Thomas J Hearne
- 10.42 Commitment letter from Royal Bank of Canada dated July 20, 1998.
- 10.43 Asset Purchase Agreement among Campbell Services, Inc. as Seller, and FTP Software, Inc. and Open Text Inc. as Buyer, and Open Text Corporation dated as of December 3, 1997. (6)
- 10.44 Agreement of Purchase and Sale of Assets by and among Open Text Inc., Open Text Corporation, Information Dimensions, Inc., the Stockholders of Information Dimensions International Corp. and Gores Technology Group dated May 31, 1998. (7)
- 10.45 Employee Stock Purchase Plan.
- 10.46 1998 Stock Option Plan.
- 10.47 Lease effective February 3rd, 1998 between Bybatch Enterprises Limited and Open Text UK Limited and Open Text Corporation. (8)
- 10.48 Sublease Agreement dated November 10th, 1997 between Compuserve Incorporated and Information Dimensions, Inc. (8)
- 10.49 Lease Agreement dated March 6th, 1998 between Open Text Inc. and The Blain Group. (8)
- 10.50 Employment Agreement, dated October 12, 1998, between John Shackleton and the Company. (10)
- 10.51 Employment Agreement, dated May 31, 1999, between Les McNeil and the Company. (10)
- 10.52 Employment Agreement, dated January 19, 1999 between David Lewis and the Company. (10)
- 10.53 Sublease, dated March 25, 1999, between Livingston Group Inc. and the Company. (10)
- 10.54 Agreement of Purchase and Sale of Assets by and among Open Text Corporation, as Buyer, and Richter & Partners Inc., the receiver of Lava Systems Inc., as Seller. (9)
- 10.55 Agreement relating to the sale of the business and the assets of Lava Systems (Europe) Limited and SCS Consulting Ltd. between the Open Text UK Limited and Open Text Corporation, as buyers and the receivers (Tracey Elizabeth Callaghan and Peter John Robertson Souster), as sellers. (9)
- 10.56 Notice of agreement by Open Text Corporation to acquire all of the outstanding shares of Microstar Software Ltd. (11)
- 10.57 Agreement of Share Purchase by Open Text Corporation, as Purchaser, and David Gibbard, Brian MacLeod, The Brian MacLeod Family Trust, The David Gibbard Family Trust, 1202605 Ontario Limited and 1202606 Ontario Limited, as Vendors. (13)
- 10.58 Offer to Purchase by 3557855 Canada Inc., a wholly owned subsidiary of Open Text Corporation, as Offeror, and Microstar Software Ltd. (13)
- 10.59 Compromise Agreement, dated February 2, 2000 between the Open Text UK Limited and Anthony Heywood. (13)
- 16.1 Letter re: Change in Certifying Accountant (12)
- 21.1 List of the Company's Subsidiaries.

23.1	Consent of PricewaterhouseCoopers.
23.2	Consent of KPMG

† Portions of these exhibits, which are incorporated by reference to Registration No. 33-98858, have been omitted pursuant to an Application for Confidential Treatment filed by the Company with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

- (1) Filed as an Exhibit to the Company's Registration Statement on Form F-1 (Registration Number 33-98858) as filed with the Securities and Exchange Commission (the "SEC") on November 1, 1995 or Amendments 1, 2 or 3 thereto (filed on December 28, 1995, January 22, 1996 and January 23, 1996 respectively), and incorporated herein by reference.
- (2) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on July 15, 1996 and incorporated herein by reference.
- (3) Filed as an Exhibit to the Company's Registration Statement on Form S-8 (Registration Number 333-5474) as filed with the SEC on August 23, 1996 and incorporated herein by reference.
- (4) Filed as an Exhibit to amendment (1) to the Company's Annual Report on form 10-K as filed with the SEC on October 28, 1996 and incorporated herein by reference.
- (5) Filed as an Exhibit to the Company's Annual Report on Form 10K as filed with the SEC on September 29, 1997 and incorporated herein by reference.
- (6) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on December 17, 1997 and incorporated herein by reference.
- (7) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on June 16, 1998 and incorporated herein by reference.
- (8) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 1998 and incorporated herein by reference.
- (9) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on January 12, 1999 and incorporated herein by reference.
- (10) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 20, 1999 and incorporated herein by reference.
- (11) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on July 26, 1999 and incorporated herein by reference.
- (12) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on April 5, 2001 and incorporated herein by reference.
- (13) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 30, 2000 and incorporated herein by reference.