OPEN TEXT
CORPORATION

Annual Report 2000

Annual Report 2000

Letter to Shareholders

Fiscal 2000 was a year of decisive change, tactical investments and a fortified foundation for continued growth.

To Our Shareholders,

At the onset of Fiscal Year 2000, we promised to deliver greater value to our partners, customers and stakeholders by improving our existing products and services, and expanding into new markets. We planned to strengthen our technology base and product offerings through the acquisition of businesses with complementary technologies. We also recognized that as business models shift, Open Text s history of working with the Web ideally positioned the Company to capitalize on the opportunities presented by the growth of e-business and the emerging electronic marketplace.

I am pleased to report we accomplished the goals we set for ourselves.

In an increasingly competitive environment, we retained market share while developing, acquiring and integrating effective solutions into the Open Text family of products. We acquired additional XML expertise; purchased an equity stake in Communities.com, an exciting new online chat technology; announced the availability of myLivelink“; introduced a Records Management module; launched our b2bScene Division; and announced our innovative ASP initiative.

Revenues for the Fiscal Year 2000 were $112.9 million, up 22% from the previous year s $92.5 million, net income was $25.1 million. These results demonstrate Open Text s continued history of growth in revenues and stable earnings.

The foundation of our financial performance is strong organic growth in our customer base. The number of Open Text users reached four million by the end of June 2000, an increase of one million users for the fiscal year, giving Open Text a substantial position in its target market.

Open Text s efforts did not go unnoticed by the industry. In an annual listing celebrating only the most innovative and creative solution providers, ComputerWorld magazine honored Open Text as one of the Emerging Companies to Watch in the year 2000. Acknowledgements in the technology sector also included the Microsoft Industry Solution Award for the Best Content and Document Management Solution.

The accomplishments of Fiscal Year 2000 were made possible by the collective efforts of every Open Text employee, our resellers, distributors and partners. Together, we remain dedicated to creating customer value and delivering success. I would like to take this opportunity to extend my sincere thanks to our entire global team for its ongoing dedication, integrity and innovation.

Over this past year, Open Text has evolved significantly. We have built strategic relationships; we have strengthened our financial resources; we have developed and acquired key technologies; and we have put into place the infrastructure required to support our growth. Overall, we have solidified our business model moving into Fiscal Year 2001.

Open Text is at the center of a revolutionary new global marketplace. Moving forward, the Company aims to become the premier provider of collaborative commerce applications for CRM (Customer Relationship Management), SCM (Supply Chain Management), and KM/ERP (Knowledge Management/Enterprise Resource Planning) e-business solutions. Open Text’s Livelink family of solutions, through the use of XML, supports the convergence of wireless and traditional computer technology, transcending beyond the Internet. We will continue to develop innovative technologies that improve business velocity, enabling organizations to move their products and people *Further Faster*.

We thank you, our shareholders, for your continued faith in our vision.

Tom Jenkins
Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A

(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, 2000.

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	**98-0154400**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)
185 Columbia Street West Waterloo, Ontario, Canada	**N2L 5Z5**
(Address of principal executive offices)	(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	Name of each exchange on which registered
None	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 __X__ 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/A or any amendment to this Form 10-K/A. ☒

Aggregate market value of the Registrant's Common Shares held by non-affiliates as of August 31, 2000 was approximately $408 million. The number of shares of the Registrant's Common Shares outstanding as of October 23, 2000 was 20,308,350.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the following documents are incorporated by reference to Part III of this Form 10-K/A: Amendment to Form 10-K.

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. 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 in expenses, unproven acceptance of the Company's products and services, risks involving the management of growth, competition and new entrants in the market for the Company's products and services, product development risks and risks of technological change, liquidity and capital resources and the other risks and uncertainties described under "Business - Risk Factors" in Part I of this Annual Report on Form 10-K. Certain of the forward-looking statements contained in this Report are identified with cross references to this section and/or to specific risks identified under "Business - Risk Factors."

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 and July 1, 1998. 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 2000" means the Company's fiscal year beginning on July 1, 1999 and ending on June 30, 2000 and the term "fiscal 1999" means the Company's fiscal year beginning July 1, 1998 and ending on June 30, 1999.

BUSINESS OF THE COMPANY

Open Text designs, develops and delivers Web-based collaborative capabilities to intranets and extranets for organizations of all sizes. Open Text products connect employees, business partners and customers across global organizations and online trading communities, enabling them to collaborate on projects, share business-critical information, improve time-to-market and realize significant returns on investment. Open Text solutions help organizations to achieve success by unleashing collective knowledge and creating an environment that promotes innovation, leveraging the most valuable assets belonging to an organization —its people and knowledge.

The Company's award-winning family of collaborative applications enables thousands of organizations to effectively address and accelerate a diverse range of business needs 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 the first Web-based, enterprise-wide, collaborative knowledge management application ready to install, out-of-the-box. Livelink effectively transforms intranets; extranets and portals into collaborative knowledge management systems helping organizations capture their intellectual properties allowing 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 knowledge workers using any standard Web browser. This powerful collaborative environment enables ad hoc teams to form quickly across functional and organizational boundaries without formal user training.

Two key factors distinguish Livelink from competing alternatives. First, unlike collaborative software developed for client/server environments, Livelink was designed from the foundation 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, Open Text's Livelink is an off-the-shelf, ready-to-install application. It is easy to customize, requiring no special development for project teams to be immediately productive. As a result, companies may realize their return on investment quickly.

In less than six years since the introduction of Livelink, Open Text has achieved significant growth. Organizations with tens of thousands of users are actively deploying Livelink for business-critical applications. More than 200 Value-Added Resellers (VARs), Solution Providers, Technology Partners, Application Service Providers (ASPs), and Systems Integrators have joined Open Text's Affinity Partner program since it's inception, with 60 such additions within the last year. Business, technical, and marketing relationships have been formed with such industry leaders as Adobe, Canon Sales, KPNQuest, Microsoft, Netscape, Nissho Iwai, Oracle, Siemens Nixdorf and Unisys.

Open Text completed its initial public offering in January 1996 and now employs nearly 775 individuals, excluding contractors, located in facilities in the United States, Canada, Europe, and Australia, and is represented in the Asia-Pacific region through such distribution partners as Canon Japan and Nissho Iwai. 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.

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 of businesses with technologies capable of integration with the Company's technologies and products to create a broad line of information management 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 System 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"), and Microstar Software Ltd. ("Microstar"). Odesta, InfoDesign, NSG and Microstar and the acquired assets of Intunix, Internet Anywhere, SoftCore, NIRV, OnTime, Information Dimensions, Lava, PS Software 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." A key element of the Company's strategy has been to develop 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 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 VAR of the Company's products in Europe. As a result of 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 VAR of the Company's search technology. Infodesign had also developed and marketed WorkSmart, an SGML document management and workflow software product. NIRV, based in Toronto, Ontario, had 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 customer support and installation.

In December 1997, Open Text acquired certain assets and liabilities of OnTime. OnTime, based in Southfield, Michigan, offered group calendaring and scheduling products in client/server and Web environments. A key element of the acquisition was the OnTime calendaring and scheduling technology.

In June 1998, Open Text acquired certain assets and liabilities of Information Dimensions. Information Dimensions, based in Columbus, Ohio with subsidiaries in London, England; Paris, France; and Frankfurt, Germany offered document storage management, enterprise-wide access interface and a suite of application development interfaces. A key element of the acquisition was the Company's perception of the value of Information Dimension's document storage management technology.

In December 1998, Open Text acquired certain assets and liabilities of Lava from the court appointed receiver, paying cash in the amount of $2.3 million at closing in a transaction which has been accounted for under the purchase method of accounting. The operations of Lava have been included in the Company's consolidated financial statements from the purchase date. A key element of the acquisition is the Company's perceptions of the value of Lava's document management technology and its professional services organization. Although Lava's technology was a document management technology, it is the Company's belief that substantial development would have had to be completed to meet the Company's strategic goals. In view of the proceeding, the Company believes that the acquisition of Lava's product technology and professional services organization provided it with an opportunity to successfully advance e-commerce technology.

In August 1999, Open Text acquired all the outstanding shares of PS Software Solutions Ltd. PS Software was based in 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 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 a considerable experience in the government sector, which benefited the Company's current government customers.

Further information respecting the Acquisitions is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 of 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 growing increasing amounts of data created and stored in a variety of formats and in disparate locations across various networks. In addition, the emergence of the Internet as an important medium for communications has had 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 Development of Intranets, Extranets and Business Portals

Advances in computer hardware and software technology have resulted 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 recent growth in the use of the Internet is attributable to the emergence of the network of servers and information available on the Internet known as 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 potential 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. The amount of information available on the Internet, the commercial applications of the Internet, the number of Web sites on which data reside and the amount of data residing on individual Web sites are all increasing rapidly. As a result, both business and home computer users face the challenge of locating and retrieving the specific information that responds to their needs from the vast sea of data available on the Internet.

The Web is characterized by a standard document format described by the Hypertext Mark-Up Language ("HTML") and a standard information transfer protocol called Hypertext Transfer Protocol ("HTTP"). As organizations become familiar with the use of the Web, they are adopting Internet data formats and communications protocols, such as Transmission Control Protocol/Internet Protocol ("TCP/IP"), using Web client and server software and, in some cases, the Internet's facilities as the backbone for private networks ("intranets") that connect an organization's local area networks. The implementation of an intranet is an alternative to the establishment of a proprietary private network. Intranets enable network users to communicate and access information within an organization's boundaries, collaborate with external groups or individuals, including suppliers, customers and consultants, and use the Web to access information on the Internet and communicate with other Web users. An organization may also use its intranet servers to publish documents and data on the Web that are created and resident on its intranet.

Extranets, private Internets that connect an organization with its customers and/or vendor community, are also emerging 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 focus in the future increasingly will be on the management of the tacit knowledge that is naturally resident in an organization. An increasing number of organizations are implementing intranets as 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 communications 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, reach and communicate 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 provide 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.

The corporate world is following the consumer portal model. Corporate portals have just begun to develop depth of functionality and breadth of usability, and the corporate portal may constitute a large portion of the next wave of IT spending. It is estimated that by the beginning of 2001, nearly 90% of large organizations will have moved into portal deployments, with 80% showing corporate portals in production mode.

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 or "cybermarkets" to restructure their business relationships by collaborating online to save money, make money and solve real business issues. GartnerGroup has defined 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 the opportunity to position itself as the 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 will 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.

The demand for the optimization of information available to individuals, project groups and other organizational divisions is another important consideration. Without access to highly contextualized information individuals are unable to acquire information that supports their decision making process. By providing individuals with a personalized interface through which contextual industry information is delivered, the Company believes that organizations will be better equipped to arrive at conclusions, make decisions, and promote innovation at the individual, group and organizational levels. The Company believes integration of relevant information, filtered from internal and external sources, combined with business process automation and collaborative functionality, will facilitate the success of organizations.

Open Text Solutions

Open Text was first in its vision and delivery of Web-based solutions that optimize the power of the Web to provide a collaborative work environment that allows organizations to capitalize on their collective knowledge and best practices across the enterprise.

Open Text provides completely 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—providing a complete solution that is easily incorporated into existing enterprise business systems.

Intranets

Tapping into knowledge and the experience of individuals within an organization—and sharing that expertise across the company—are strategic imperatives for success. By providing a centralized knowledge repository and the tools and services required to access, share, discuss and leverage vital business information, Open Text's Web-based intranet application helps organizations to increase productivity and improve their competitive positioning.

Extranets

Open Text's extranet application allows organizations to maximize internal and external resources by giving users access to structured and unstructured information, the ability to form virtual teams, and seamlessly share expertise and knowledge across organizational and geographical boundaries. Livelink-based extranets seamlessly extend an organization's intranet directly into the business operations of partners and suppliers. By involving customers, partners and suppliers in business processes, organizations can capitalize on their knowledge and experience, gaining insight and expertise to develop new processes, create new services and increase their competitive position.

Organizations can also use Open Text's extranets to create, sustain and manage a trading community. Essentially a collection of integrated extranets, an online trading community enables organizations to dynamically collaborate across diverse computing environments, complete business-to-business transactions, improve logistics and share knowledge and expertise on a global scale to improve efficiencies and increase profits—all from a common portal interface.

Business-to-Business

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 collaboration across intranets and extranets. Based on the Livelink and *myLivelink*™ applications, 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 offering a suite of hosted services to stimulate and promote successful business-to-business interaction and collaboration between an organization's partners, customers and employees within public and private online business communities. A collection of integrated community, content, collaboration and 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 our 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 Document Management and Knowledge Management intranet and extranet applications. The Company aims to extend its leadership position in the intranet space to become the premier provider of collaborative applications for e-business 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 become the leader in collaborative commerce applications by enhancing our core security and dynamic collaboration features and building "high" velocity hosted market applications that enable organizations operating as extended enterprises to manage value from partners and alliances. 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 help companies develop their own "information markets" between customers, partners, suppliers, and to, where possible, partner with these companies, creating a network or "cyber market" effect.
- To define a meta-software architecture that anticipates the trend toward Application Service Providers (ASP) and wireless devices that will enable multiple customer touchpoints for our flagship product, Livelink.
- To define a new application space by marrying structured and unstructured content in a way that creates social capital through connectedness, context, community and content, and earns increasing value as the system is used.
- To create a growth engine based on our Open Interchange Architecture (OIA) that allows us 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 our Livelink success into 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. This strategy has far reaching implications into how the Company develops and extends its products, how it markets and brands itself and finally how it creates its business model with its customer base and deepens its relationship on a one-to-one basis with users.
- 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 indirect distribution channels and has launched its Affinity Partner program in March 1997. 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 which provide a particular solution to distinct customer groups or geographical areas. The Company launched its ASP Program in March 2000, announcing its partnership with KPNQwest. Open Text will continue to develop this new channel to broaden its reach to a larger business-to-business market by making Livelink available to small and medium sized businesses.
- To develop and grow both corporate and product brand equity. Open Text will be branded as an ambitious and effective organization that empowers organizations to manage knowledge and accelerate the pace of innovation at every level—including throughout individual, departmental and shared communities of interest. Livelink will be branded as our flagship product—one that inspires innovation and delivers tangible business results.
- 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 and ActiveX. As well, Livelink supports most desktop applications and file formats.

Products and Technology

In December 1999, Open Text released Livelink 8.1.5, the latest release of the Company's flagship product. The Livelink server runs on a variety of computing platforms, including Microsoft Windows NT, Sun SPARC/Solaris, and Hewlett-Packard HP-UX operating systems. Livelink 8 provides a combination of core 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 8 is certified with a variety of relational database management systems: (Microsoft SQL Server 7.0, Oracle 8i 8.1.5, Oracle Enterprise Server 8.0.6, and Sybase Server 11.9.2), HTTP servers (Netscape Enterprise Server 3.62, iPlanet Web Server Enterprise Edition 4.0, Microsoft Internet Information Server 4.0), and Web browsers (Netscape Navigator 4.51 and Microsoft Internet Explorer 4.0/SP1 & 5.0).

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 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 standalone 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 nine 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 HTML, PDF and other popular file formats. It differs from conventional technologies because 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, the key international standard for structured documents.

  Sophisticated search features include searching a subset of the index ("slices"), contextual/proximity searching, an advanced query builder interface, thesaurus support, word stemming, "sounds like", and a powerful end-user query language. Livelink Data Flows facilitate moving information between Livelink and other data sources (e.g., 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).

  Open Text was one of the first companies to index the Web and provide free search services to all Internet users. The Open Text Index is now known as *BusinessWeb™* and has evolved from an index of the Web into a new site specifically designed for business users. BusinessWeb is a service of b2bScene, a Division of Open Text, providing unequaled access to business-related Web content, news, resources and services across a variety of industries. The site ensures highly targeted searches, indexing only the Web pages pertinent to business users. BusinessWeb incorporates Open Text's unique "slicing technology" which separates the data into more than 150 pre-categorized groupings, enabling users to drill right to the information on any particular business topic. The database is updated in its entirety every two weeks, which Open Text believes is at least twice as often as most other online search engines.

- *Virtual Team Collaboration*

  Livelink's Virtual Team Collaboration enables people to work together to share information and experiences, and 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 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 a fully 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—giving 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 is the leading collaborative knowledge portal for e-business. 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 *BASIS*® software product line to support the management of specialized corporate and government document collections. Designed for comprehensive library control, BASIS provides an comprehensive 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 and 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 fully 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 customers 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, 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, or 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, most people in the 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's") 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.

Customizable Workspaces

Three distinct Workspaces—Personal, Enterprise and Project—provide users with multiple views of the enterprise and its activities for improved knowledge access, sharing, and navigation.

Typically, users in an organization work within a specific structure and/or context—departments or business units, in project teams and on their own at home, on the road or in the office. Livelink's three distinct Workspaces provide both context and structure with familiar, customizable environments promoting organization, communication and collaboration.

From each Workspace, users have access to Livelink's powerful services, including shared knowledge libraries, information retrieval tools, business process automation, virtual team collaboration and enterprise group scheduling.

The *Enterprise Workspace* is the knowledge map of the enterprise, where an organization can publish, store, share and find corporate-related materials. This may include policies and procedures, best practices and solutions, forms of all kinds, such as expense reports, travel requests, purchase requisitions, business and company news, and all projects currently underway throughout the enterprise. Every area and object in the enterprise knowledge map is searchable.

The *Personal Workspace* is a private work environment that can be customized for optimum productivity. Users can organize their individual knowledge base to suit their individual needs—keep projects, critical documents and objects, saved search results and tasks a click away and subscribe to information sources that are of greatest interest to them. Intelligent Livelink Change Agents and Livelink Channels transmit information right to their desktop as it is published or as events occur.

The *Project Workspace* creates a focused environment in which team members can work together and share project-specific information, from source documents and project participants, to workflows, steps and tasks. Threaded discussions keep information dynamic and support the free-flow of knowledge. The ability to create missions, objectives and goals ensures that the team and its initiatives are always driving toward department and corporate business goals.

In addition to the standard Livelink workspaces, Open Text also offers myLivelink, a personalizable interface to Livelink and other information sources. myLivelink ties the Enterprise, Personal, and Project Workspaces together, allowing users to customize the display of different types of information (tasks, projects, favorites, search, URLs, Web content, and more) from multiple Livelink systems and external sources, all on a single Web page.

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 massive 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™* 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 Enterprise Activator™* is a rapid application development tool that enables users to link to business-critical applications, making Livelink their single point of access.
- *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 for 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 the first Web-based and comprehensive full lifecycle document management and records management solution for the enterprise.
- *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™*—enables users to collaboratively create, manage and track electronic forms and integrate them into standard corporate business processes.
- *Livelink PDF Forms Professional™* enables organizations to leverage form data 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 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 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.

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
- 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, ChangePoint, NetRight and the RadNet products. Open Text has positioned its products in the new and emerging "collaborative knowledge management" (CKM) and "Corporate Portal" (CP) market spaces, which are intensely competitive, subject to rapid technological change and 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. In the CKM market, the segments are accepted as: high-end, specialized document management solutions, collaborative knowledge management applications and e-mail centric messaging systems. The CP market is divided into Data Portals which 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. Microsoft can be expected to 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 full support for intranets, functionality of the document management solution, 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 it 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 to market its products and component technology. As of June 30, 2000, Open Text's worldwide sales force consisted of 168 sales representatives in 51cities.

Distributors. Open Text has distribution agreements with both Canon Inc. and Nissho Iwai, under which both companies market Open Text's products in Japan.

OEMs. Open Text markets its products to selected OEMs, including independent software vendors, in order to embed its products and technologies in products marketed by companies with particular access to specific target markets or large installed customer bases. During 1997, Open Text entered into an OEM agreement with Siemens Nixdorf Inc. to market Open Text's products in Europe.

Livelink Affinity Partners. More than 200 Value-Added Resellers (VARs), Solution Providers, Technology Partners, Application Service Providers (ASPs), and Systems Integrators have joined Open Text's Affinity Partner program since it's inception, with 60 such additions within the last year. 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 are $42.9 million for fiscal 2000, $36.4 million for fiscal 1999, and $21.9 million for fiscal 1998.

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 typically is 18.5% of the list price of the software system purchased 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, 2000, Open Text employed 253 customer support and professional service personnel.

Product Development

As of June 30, 2000, the Company's research and development organization included 164 employees. In 2000, Open Text integrated acquired technologies from Microstar and PS Software. In 1999, Open Text successfully 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 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 to third parties to market certain of its products either nonexclusively or under a limited-scope exclusive right to 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 the other 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. While the Company's competitive position may be affected by its ability to protect its intellectual properties, the Company believes that such protection is less significant to the Company's success than other factors such as the knowledge, ability and experience of the Company's personnel, name recognition and ongoing product development and support. 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.

During fiscal 1998, Open Text applied for trademark registration for the name Livelink in the United States, Canada and certain other countries.

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. Open Text owns less than 5% of the outstanding share capital of Deja.com, Inc. (formerly Deja News Corporation). Deja.com, Inc. provides an index for searching Internet newsgroups on its own home page, which is listed on the Netscape Navigator under the "Directory Search" button.

About.com. During fiscal 1997, the Company acquired a minority equity interest in About.com, Inc. ("About.com") (formerly MiningCo.com Inc. and formerly General Internet, Inc.) which originally represented 885,201 shares of common stock. In March 1999, About.com completed an initial public offering of common stock and its common stock was listed on the NASDAQ Stock Market's National Market. At June 30, 2000 the Company holds 8,900 shares, which are restricted from sale until February 2001. Open Text is actively trying to get this restriction removed. The Company has sold 876,301 shares resulting in a gain of $48.1 million. At June 30, 2000, the closing price for About.com's common stock as reported by NASDAQ was $31.50 per share. On August 31, 2000, the closing price for About.com's common shares was $43.625 per share. Beginning in the quarter ended March 31, 1999, the Company is accounting for its interest in About.com as securities available for sale, and will carry the investment on its balance sheet as a current asset valued at the trading value of the securities on the balance sheet date. The Company's balance sheet also includes a current liability for the estimated future tax payable if the securities were sold at the value reflected on the balance sheet.

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 the Communities.com's advanced chat and interactive communications technology, which is to be incorporated in future versions of Livelink®.

Securities of Internet commerce companies such as About.com and Communities.com have been highly volatile, and the amount the Company will realize on those investments is uncertain.

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 in expenses, unproven acceptance of the Company's products and services, risks involving the management of growth, competition and new entrants in the market for the Company's products and services, product development risks and risks of technological change, liquidity and capital resources and the other risks and uncertainties described under "Business - Risk Factors" in Part I of this Annual Report on Form 10-K. Certain of the forward-looking statements contained in this Report are identified with cross references to this section and/or to specific risks identified under "Business - Risk Factors."

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 six fiscal years. As of June 30, 2000, the Company had an accumulated deficit of $67.8 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 Information Dimensions, OnTime, Lava, PS Software Solutions Ltd. and Microstar Software Ltd., 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 has only recently begun to develop and 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 rapid 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 797, including contractors, as of June 30, 2000. 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 September 1999, Open Text completed the acquisition of Microstar. In August 1999, Open Text completed the acquisition of PS Software. In December 1998, Open Text acquired certain assets of Lava. In June 1998, Open Text completed the acquisition of Information Dimensions. In December 1997, Open Text completed the acquisition of OnTime. 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 focussed its efforts on the Livelink product suite and consolidating the operations of Information Dimensions, OnTime, Lava, PS Software and Microstar. 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 for 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 projects 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 is 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. See "—Year 2000 Compliance".

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 by 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. See "—Year 2000 Compliance".

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 "Competition".

Cash Flow from Operations

Open Text's cash and cash equivalents and working capital were $113.9 million and $98 million, respectively, at June 30, 2000. During the year ended June 30, 2000, the Company's operations provided cash in the amount of $26.4 million. The Company anticipates increased expenses in fiscal 2001. In January, 2000 the Company repurchased 4 million common shares for $20.00 per share. In May 1999, the Company received net proceeds of $97 million from the sale of Special Warrants. 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 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 with respect to Livelink. This product 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. Another company has registered the trademark "Opentext" in the United States. See "Business of the Company-Intellectual Property Rights".

Dependence on Key Personnel; Recent Changes

The Company's performance is substantially dependent on the performance of its executive officers and key employees, most of whom have worked together for a relatively short period of time. In April 2000, Alan Hoverd was promoted from the position of Vice-President, Finance to the position of Chief Financial Officer. In November 1998, the Company added John Shackleton as President. 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, assimilate 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 most 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. In addition, other methods of product distribution may become important in the future, such as on-line services and other electronic distribution. 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, complications in complying with foreign laws and domestic and international import and export laws and regulations and costs related to localizing products for foreign markets and 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 law, 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. See "Business of the Company — Intellectual Property". 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 32,000 square feet of office space at its Waterloo headquarters pursuant to a lease that terminates on June 30, 2003. The Company leases an office of approximately 39,000 square feet in Bannockburn, Illinois for its product development, marketing, consulting, support, administration and sales operations, pursuant to a lease, which terminates on April 30, 2001. The Company also leases Canadian field offices in Ottawa, Ontario and Vancouver, British Columbia; US field offices in Dublin, Ohio; Livonia, Michigan; and international field offices in Amsterdam, The Netherlands; Paris, France; Frankfurt, Germany; Beaconsfield, United Kingdom; St. Gallen, Switzerland and Sydney, Australia. The current annualized total rent for the Company is approximately $4 million.

Item 3. Legal Proceedings

The Company commenced proceedings against NetSys Technology Group AB ("NetSys") by notice of arbitration dated February 9, 1999. The Company claimed a declaration that the Distributorship Agreement between the parties dated January 17, 1997 be terminated in accordance with its terms; an accounting of profits made by NetSys for sales outside of its territory; and payment of $130,000 for unpaid hosting fees and other ancillary relief.

NetSys counterclaimed for damages for breach of contract in the provision of certain software in the amount of 400,000,000 Swedish Kroner and declarations that it had a right to distribute Open Text products worldwide.

The matter was heard before a Panel of three arbitrators under the Rules of the Arbitration and Mediation Institute of Ontario and conducted under the provisions of the Ontario International Arbitrations Act. The arbitral tribunal issued its award dated March 31, 2000. The Panel declared that the Distribution Agreement with NetSys was terminated by reason of NetSys' breaches thereof. The arbitral tribunal also held Open Text Corporation is entitled to an accounting from NetSys of all sales made out of its territory and an accounting of all seat fees received by them. Open Text was also awarded the sum of $133,000 on account of unpaid hosting fees together with its full costs of arbitration including expert fees, arbitrator fees and disbursements. The counterclaim by NetSys was dismissed in its entirety. Subsequent to year end, on September 11, 2000, the Company received a total of $133,000 in satisfaction of the unpaid hosting fees and expects to receive approximately $400,000 relating to arbitration costs. The $133,000 has not been reflected in the consolidated financial statements as this amount is not material. The Company is presently taking steps to enforce this award in Sweden.

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, 2000.

Name	Age	Position with Company	Principal Occupation
P Thomas Jenkins Waterloo, Ontario, Canada	40	Director and Chief Executive Officer	Chief Executive Officer of the Company
John Shackleton Burridge, IL, USA	53	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)
Stanley Stern	43	Director	Managing Director, U.S. of S.T.I. Ventures Advisors
Randy Fowlie(2) Waterloo, Ontario, Canada	40	Director	Chief Operating Officer and Chief Financial Officer, Inscriber Technology Corporation (a computer software company)
Ken Olisa (1) Surrey, UK	48	Director	Managing Director, Interregnum Venture Marketing Limited (an Information Technology venture marketing company)
Stephen J Sadler(2) Aurora, Ontario, Canada	49	Director	Chairman and CEO, Enghouse Systems Limited (a software engineering company)
Michael Slaunwhite(2)(3) Gloucester, Ontario, Canada	39	Director	President, Manta Corporation (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	52	Chief Financial Officer	Chief Financial Officer of the Company
Anik Ganguly Northville, Michigan, USA	41	Executive Vice President, Product Management	Executive Vice President, Product Management of the Company
Andrew Pery Orleans, Ontario, Canada	49	Vice President, Global Marketing	Vice President, Global Marketing 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.

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. ("Helix"), 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 leader 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 is Chairman & CEO of Interregnum Plc., an information technology advisory and investment company. 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 Loblaws 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 Multimedia, as well as being a director of several private companies in the high tech industry sector.

Michael Slaunwhite has served as a director of the Company since March 1998. Mr. Slaunwhite has served as President of Manta Corporation, a leading vendor of products and services to the groupware marketplace since 1995. 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.

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 John 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.

Stanley Stern has served as a director of the Company since February 2000. Since 1999 Mr. Stern served as the Managing Director, U.S. of S.T.I. Ventures Advisors, a global venture capital firm. From 1981 to 1999, he held several positions at Oppenheimer and CIBC Oppenheimer, including head of technology investment banking. He is a director of a number of public companies.

Alan Hoverd was appointed Chief Financial Officer of Open Text Corporation in April of 2000. He joined the Company as the Vice President of Finance in July of 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, a corporation with annual revenues of two billion dollars Canadian. 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 of 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. Since 1991, he has been involved in Enterprise Software development and, in particular, the application of Internet standards to facilitate collaboration and communication across company 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. 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 US 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.

PART II

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

The Common Shares began trading on the NASDAQ National Market on January 23, 1996 under the symbol "OTEX" and has been trading there since that time. The Common Shares began trading on the Toronto Stock Exchange ("TSE") on June 26, 1998 under the symbol "OTC". The following table sets forth the high and low closing bid price for the Common Stock, as reported by NASDAQ and the TSE, for the periods indicated below. The prices set forth below reflect interdealer quotations, without retail markups, markdowns, fees or commissions and do not necessarily reflect actual transactions.

On June 30, 2000, the closing price of the Company's Common Stock on NASDAQ was $21.50 USD per share. On June 30, 2000, the closing price of the Company's Common Stock on the TSE was $32.25 CDN per share.

	Nasdaq		TSE	
	High	Low	High	Low
Year Ending June 30, 2000				
Fourth Quarter	$ 30.94	$ 18.00	$ 45.00	$ 27.45
Third Quarter	55.75	18.38	$ 80.00	$ 26.50
Second Quarter	23.81	11.25	$ 35.10	$ 16.75
First Quarter	34.13	19.75	$ 50.40	$ 29.00
Year Ending June 30, 1999				
Fourth Quarter	$ 42.50	$ 27.50	$ 57.50	$ 42.00
Third Quarter	34.31	17.88	47.50	29.25
Second Quarter	26.38	10.00	38.40	16.25
First Quarter	19.50	10.13	28.25	16.75
Year Ending June 30, 1998				
Fourth Quarter	$ 23.50	$ 14.13		
Third Quarter	21.75	10.25		
Second Quarter	14.38	9.00		
First Quarter	15.50	8.88		
Year Ending June 30, 1997				
Fourth Quarter	$ 10.25	$ 6.63		
Third Quarter	10.25	6.86		
Second Quarter	8.38	4.88		
First Quarter	10.00	4.19		
Year Ending June 30, 1996				
Fourth Quarter	$ 15.00	$ 8.88		
Third Quarter (commencing January 23, 1996)	21.75	10.00		

On August 31, 2000, the closing price of the Company's Common Stock on NASDAQ was $25.188 per share. As at August 31, 2000, there were approximately 7,900 shareholders of record of the Company's Common Stock. As at August 31, 2000, there were approximately 2,700 US shareholders of record holding 8,464,379 shares of Common Stock.

Exchange Controls and Other Limitations Affecting Holders of Common Shares

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 tax US federal income 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. 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 will not be subject to information reporting or US backup withholding tax provided the dividends are not considered a "reportable payment". However, dividends paid, and the proceeds of a sale of Common Shares, in the United States through a US or US-related paying agent (including a broker) will be subject to US information reporting requirements and to a 31 percent backup withholding tax, unless the paying agent is furnished with a completed Form W-9. US corporations furnishing correct documentation will qualify as exempt recipients for backup withholding and information reporting purposes. Any amounts withheld under the US backup withholding tax rules will be allowed as a refund or a credit against the Unconnected US Shareholder's US federal income tax liability, provided 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%) 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%) 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 a 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 to either (i) at disposition or when such investor receives an "excess distribution", 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.

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.

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 and Notes thereto.

	Fiscal Year Ended June 30,				
	2000 (2)	1999 (2)	1998 (2)	1997	1996
	(in thousands, except per share data)				
Statement of Operations Data:					
Total revenues	$ 112,945	$ 92,537	$ 45,300	$ 22,648	$ 9,995
Gross Profit	80,309	72,713	36,246	15,169	6,183
Operating expenses:					
Research and development	17,743	11,373	7,906	6,612	4,531
Sales and marketing	42,928	36,441	21,906	16,638	8,466
General and administrative	19,832	5,921	4,645	4,648	3,658
Depreciation	4,586	4,225	2,374	1,689	3,238
Amortization of intangible assets	2,962	2,194	618	-	-
Acquired in-process research and development and write down of intangible assets	-	3,419	7,978	-	27,555
Restructuring reserve	1,774	329	-	650	3,428
Total operating expenses	89,825	63,902	45,427	30,237	50,876
Income (loss) from operations	(9,516)	8,811	(9,181)	(15,068)	(44,693)
Other income	48,965	427	280	57	145
Interest income	6,161	2,342	1,745	1,944	1,478
Interest expense	(109)	(47)	(125)	(148)	(129)
Income (loss) before income taxes	45,501	11,533	(7,281)	(13,215)	(43,199)
Provision for (recovery of) income taxes	20,422	(8,637)	(1,000)	-	-
Net income (loss) for the year	$ 25,079	$ 20,170	$ (6,281)	$ (13,215)	$ (43,199)
Net income (loss) per share, basic	$ 1.12	$ 0.96	$ (0.36)	$ (0.78)	$ (3.59)
Net income (loss) per share, diluted	$ 1.03	$ 0.85	$ (0.36)	$ (0.78)	$ (3.59)
Weighted average Common Shares outstanding (1), basic	22,348	20,914	17,680	16,866	12,042
Weighted average Common Shares outstanding (1), diluted	24,421	23,729	17,680	16,866	12,042

	June 30,				
	2000	1999	1998	1997	1996
Balance Sheet Data:					
Cash and cash equivalents	$ 113,918	$ 140,256	$ 40,390	$ 31,762	$ 51,139
Working capital	98,008	197,595	39,640	32,902	48,892
Total assets	183,250	264,774	100,582	52,345	66,158
Long-term liabilities	-	-	-	-	742
Shareholders' equity	137,983	232,825	73,074	42,455	55,550

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 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, year 2000 issues, 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 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. Certain of the forward-looking statements contained in this report are identified with cross-references to this section.

Overview

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.

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 the 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, and attract, retain and motivate highly qualified personnel, manage rapid growth and integrate the 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 six fiscal years and as at June 30, 2000, had an accumulated deficit in shareholders' equity of $67.8 million. The Company attained profitability from operations in fiscal 1999. In Fiscal 2000 the Company closed with the highest license revenue growth in its history, fueled by a large increase in new accounts. The Company achieved profitability in fiscal 2000, despite incurring investment costs for the b2bScene division and ASP initiatives. This year net income was positively impacted by a non-recurring gain on the sale of investments amounting to $49 million. In addition, cash and cash equivalents remain strong at $114 million, with positive cash flow from operations. During the year the Company completed a buy-back of 5 million shares for a total of $97 million. The Company's days sales outstanding (DSO) has decreased to 75 days from 98 days at June 30, 1999. Segmented information to the financial statements is broken down in Note 13.

In August 1999, Open Text acquired all the outstanding shares of PS Software Solutions Ltd. PS Software was based in 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. An acquisition accrual balance of $168,000 remains on the balance sheet at June 30, 2000, relating primarily to office closure costs. The PS Software office was subleased during the year, but a portion of the lease term remains uncommitted.

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 $129,000 remains on the balance sheet at June 30, 2000, 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 present value of Lava technology acquired that required completion and integration into the Company's Livelink products. An acquisition accrual of $671,000 remains on the balance sheet at June 30, 2000. This amount relates to the potential claims of former Lava employees. The potential claims have been recorded based on estimates, which management believes are reasonable; however, the amount may change as management obtains more information about the outcome of the various claims. Initial hearings have been completed on all claims. To date, the arbitrator has not made a final decision on all claims.

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 been able to leverage 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 been a catalyst to the Company's increased professional services revenue, especially in Europe.

On June 3, 1998, the Company acquired certain of the assets and liabilities of Information Dimensions for approximately $8.1 million which consists of cash paid on closing of $7.6 million and an accrual of $500,000 for contingent consideration, based on the delivery of a special purpose balance sheet of the assets and liabilities assigned as at May 31, 1998. The Company paid $184,000 to Gores Technology on June 1, 1999. Gores Technology is appealing the contingent consideration paid, maintaining the full $500,000 should be reimbursed. This issue is currently in arbitration; management believes no additional liability will be incurred. As such, no liability remains on the balance sheet regarding this matter.

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 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 will be amortized over ten years.

Acquired in-process research and development costs represented the present value of Information Dimensions technology acquired that required completion. The CIC/Techlib product was completed in fiscal 1999.

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 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 $21 million in 2001, $19 million in 2002, $15 million in 2003, $13 million in 2004, $10 million in 2005, $9 million in 2006 and $8 million in 2007 and 2008. Product margins and operating costs used in the valuation model were similar to those the Company currently experiences.

The basis activator module has been 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. The operations of OnTime have been included in the financial statements from the purchase date. Cash in the amount of $6.2 million was paid at closing.

Costs under the Information Dimensions and OnTime acquisitions for involuntary termination and relocation were resolved in fiscal 1999.

During fiscal 1997, the Company acquired a minority equity interest in About.com (formerly MiningCo.com Inc.) which presently represents 885,201 shares of common stock. In March 1999, About.com completed an initial public offering of common stock and its common stock was listed on the NASDAQ Stock Market's National Market. At June 30, 2000 the Company holds 8,900 shares, which are restricted from sale until February 2001. The Company is actively seeking release from this restriction. During fiscal 2000, the Company sold 876,301 shares resulting in a gain of $48.1 million. At June 30, 2000, the closing price for About.com's common stock as reported by NASDAQ was $31.50 per share. On August 31, 2000, the closing price for About.com's common shares was $43.625 per share. Securities of Internet commerce companies such as About.com have been highly volatile, and the amount the Company will realize on its remaining investments is uncertain.

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.

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.

Results of Operations

During the year ended June 30, 2000, the Company had net income of $25.1 million, or $1.03 per share, diluted.

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

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Revenues:					
License	51.0 %	58.0 %	65.4 %	60.6 %	65.8 %
Service	49.0	42.0	34.6	39.4	34.2
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
License	2.4	2.0	3.3	3.7	17.2
Service	26.5	19.4	16.7	29.3	20.9
Total cost of revenues	28.9	21.4	20.0	33.0	38.1
Gross Profit	71.1	78.6	80.0	67.0	61.9
Operating expenses:					
Research and development	15.7	12.3	17.4	29.2	45.3
Sales and marketing	38.1	39.4	48.4	73.5	84.7
General and administrative	17.5	6.4	10.3	20.5	36.6
Depreciation	4.1	4.5	5.2	7.4	32.4
Amortization of acquired intangible assets	2.6	2.4	1.4	-	
Acquired in-process research and development and write down of intangible assets	-	3.7	17.6	-	275.7
Restructuring costs	1.6	0.4	-	2.9	34.3
Total operating expenses	79.6	69.1	100.3	133.5	509.0
Income (loss) from operations	(8.5)	9.5	(20.3)	(66.5)	(447.1)
Other income	43.4	0.5	0.6	0.3	1.4
Interest income	5.5	2.5	3.9	8.6	14.8
Interest expense	(0.1)	-	(0.3)	(0.7)	(1.3)
Income (loss) before income taxes	40.3	12.5	(16.1)	(58.3)	(432.2)
Provision for (recovery of) income taxes	18.1	(9.3)	(2.2)	-	-
Net income (loss) for the year	22.2 %	21.8 %	(13.9) %	(58.3) %	(432.2) %

Fiscal 2000 Compared with Fiscal 1999

Revenues. Total revenues include license revenues and service revenues, which consist of consulting contracts, customer support agreements and training, and integration services contracts. 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. 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 provide consulting services. Contract revenues are 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 are deferred and recognized ratably over the life of the service contract. Revenues from training and integration services are recognized in the period in which the services are performed.

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 42% from $38.9 million in the year ended June 30, 1999 to $55.4 million in the year ended June 30, 2000. In Fiscal 2000 the Company closed with the highest license revenue growth in its history, fueled by a large increase in new accounts. There has been no price declines as a result of these new accounts. The increase in service revenues was primarily attributable to an increase in consulting and integration services provided to new license customers and the increase in support contracts provided to new and existing customers as well as customers from acquisitions.

Cost of revenues. Cost of license revenues consists 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, increasing from 3% to 5% of license revenue. The increase was primarily due to an increase in production and translation costs.

Cost of service revenues consists primarily of the costs of integration, technical support personnel, product support and training. Cost of service revenues increased 66% from $18 million in the year ended June 30, 1999 to $30 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 46% in the year ended June 30, 1999 to 54% in the year ended June 30, 2000. 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 consist 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 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. This audio technology will be used in future product releases. The Company believes that significant investments in research and development are required to remain competitive in the software business. As a consequence, the Company expects the absolute amount of its expenditures on research and development to continue to increase, mainly through the employment of additional development personnel.

Sales and marketing expenses. Sales and marketing expenses consist 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. Sales and marketing expenses can be expected to increase in absolute dollars consistent with the Company's increased sales and marketing efforts. See "Forward-Looking Statements".

General and administrative expenses. General and administrative expenses consist 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. 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 was accrued at June 30 due to the lack of collection assurance. The Company believes that the level of general and administrative expenses in future periods will decrease in absolute dollars. See "Forward-Looking Statements".

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. At June 30, 2000 two employee severance amounts, totaling $201,000 remain outstanding. These amounts will be settled throughout the first and second quarters of fiscal 2001.

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. See "Liquidity and Capital Resources".

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 year 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. 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 1999 Compared with Fiscal 1998

Total revenues include license revenues and service revenues, which consist of consulting contracts, customer support agreements and training, and integration services contracts. Contract revenues are derived from contracts to develop applications and provide consulting services. Contract revenues are recognized under the percentage of completion method, using a methodology that accounts for costs incurred in relation to total value under the contract after providing for any anticipated losses under the contract. Revenues from customer support agreements, which are generally for a term not exceeding one year, are recorded as deferred revenue when the agreement is executed and are recognized on a pro rata basis over the term of the agreement. Payments under customer support agreements are generally made in advance. Revenues from training and integration services are recognized in the period in which the services are performed.

Total revenues increased 104% from $45.3 million in the year ended June 30, 1998 to $92.5 million in the year ended June 30, 1999. Revenues from licenses increased 81% from $29.6 million in the year ended June 30, 1998 to $53.7 million in the year ended June 30, 1999. The increase in license revenues was due primarily to the growth of Livelink sales and acquisitions made in June 1998. Service revenues increased 148% from $15.7 million in the year ended June 30, 1998 to $38.9 million in the year ended June 30, 1999. The increase in service revenues was primarily attributable to an increase in consulting and integration services provided to new license customers and the increase in support contracts provided to new and existing customers as well as customers from acquisitions.

Cost of revenues. Cost of license revenues consists 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 from $1.5 million in the year ended June 30, 1998 to $1.9 million in the year ended June 30, 1999, decreasing from 5% to 3% of license revenue. The decrease was primarily due to further efficiencies in production and shipping of license products.

Cost of service revenues consists primarily of the costs of integration, technical support personnel, product support and training. Cost of service revenues increased 138% from $7.6 million in the year ended June 30, 1998 to $18 million in the year ended June 30, 1999, 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 decreased from 48% in the year ended June 30, 1998 to 46% in the year ended June 30, 1999. The Company believes that it must continue to enhance its integration and consulting capabilities as its customer base expands.

Research and development costs. Research and development expenses consist 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 expenses increased by 44% from $7.9 million in the year ended June 30, 1998 to $11.4 million in the year ended June 30, 1999 and decreased as a percentage of total revenues from 17% in the year ended June 30, 1998 to 12% in the year ended June 30, 1999. The Company believes that significant investments in research and development are required to remain competitive in the software business. As a consequence, the Company expects the absolute amount of its expenditures on research and development to continue to increase, mainly through the employment of additional development personnel. See "Forward-Looking Statements".

Sales and marketing expenses. Sales and marketing expenses consist 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 66% from $21.9 million in the year ended June 30, 1998 to $36.4 million in the year ended June 30, 1999 but decreased as a percentage of total revenues from 48% in the year ended June 30, 1998 to 40% in the year ended June 30, 1999. 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. Sales and marketing expenses can be expected to increase in absolute dollars consistent with the Company's increased sales and marketing efforts.

General and administrative expenses. General and administrative expenses consist primarily of salaries of administrative personnel and related overhead and facilities expenses. General and administrative expenses increased 27% from $4.6 million in the year ended June 30, 1998 to $5.9 million in the year ended June 30, 1999 and decreased as a percentage of total revenues from 10% in the year ended June 30, 1998 to 6% in the year ended June 30, 1999. The Company believes that the level of general and administrative expenses in future periods will increase in absolute dollars as the Company will add more administrative staff and install new management information systems and processes.

Depreciation expenses. Amortization expense was $2.4 million in the year ended June 30, 1998 and increased to $4.2 million in the year ended June 30, 1999 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 $618,000 for the year ended June 30, 1998 and $2.2 million for the year ended June 30, 1999. Included in amortization of acquired intangible assets is amortization of core technology and goodwill on the acquisition of OnTime, Information Dimensions and Lava.

Acquired in-process research and development and write down of acquired intangible assets. Acquired in-process research and development was $7.9 million for the year ended June 30, 1998 and $3.4 million for the year ended June 30, 1999. These charges are attributable to the cost of acquired in-process research and development expenses as part of the Information Dimensions and OnTime acquisitions in fiscal 1998 and the Lava acquisition in fiscal 1999 that are expensed under GAAP. See Overview.

Other income. Other income was $280,000 for the year ended June 30, 1998 and $427,000 for the year ended June 30, 1999. Other income is comprised mainly of gains and losses on the disposal of investments and fixed assets.

Interest. Interest income was $1.7 million in the year ended June 30, 1998 compared to $2.3 million in the year ended June 30, 1999. The increase was due to higher average cash balances held by the Company during the year. See "Liquidity and Capital Resources".

Income taxes. A deferred tax asset of $20.4 million and $20.2 million existed as of June 30, 1998 and June 30, 1999 respectively. In fiscal year 1999 the Company released $9.1 million of its valuation allowance as a result of its examination of realizability of gross deferred tax amounts and recorded the amount as income. The remaining change in valuation was primarily allocated to goodwill. In accordance with US GAAP, a valuation allowance of $7.7 million continues to be recorded against the deferred tax asset by the Company, as reasonable assurance on the use of the remaining portion of the tax assets has not been obtained. The valuation allowance at June 30, 1998 was $19.4 million. 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.

Fiscal 1998 Compared with Fiscal 1997

Total revenues increased 100% from $22.6 million in the year ended June 30, 1997 to $45.3 million in the year ended June 30, 1998. Revenues from licenses increased 116% from $13.7 million in the year ended June 30, 1997 to $29.6 million in the year ended June 30, 1998. Service revenues increased 76% from $8.9 million in the year ended June 30, 1997 to $15.7 million in the year ended June 30, 1998. The increase in service revenues was primarily attributable to an increase in integration services provided to new license customers and the increase in support contracts provided to new and existing customers.

Cost of revenues. Cost of license revenues consists 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 from $848,000 in the year ended June 30, 1997 to $1.5 million in the year ended June 30, 1998, decreasing from 3.7% to 3.3% of total revenue. The increase was primarily due to software amortization on purchased software.

Cost of service revenues consists primarily of the costs of integration, technical support personnel, product support and training. Cost of service revenues increased 13.9% from $6.6 million in the year ended June 30, 1997 to $7.6 million in the year ended June 30, 1998, primarily due to additional personnel required to support the expanded activities of the technical services department. Cost of service revenues as a percentage of service revenues decreased from 74% in the year ended June 30, 1997 to 48% in the year ended June 30, 1998. The Company believes that it must continue to enhance its customer service and support capabilities as its customer base expands.

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 presently expenses all research and development costs as incurred. See Note 2 of Notes to Consolidated Financial Statements.

Research and development costs increased by 19.7% from $6.6 million in the year ended June 30, 1997 to $7.9 million in the year ended June 30, 1998 and decreased as a percentage of total revenues from 29.2% in the year ended June 30, 1997 to 17.5% in the year ended June 30, 1998. The Company believes that significant investments in research and development are required to remain competitive in the software business. As a consequence, the Company expects the absolute amount of its expenditures on research and development to continue to increase, mainly through the employment of additional development personnel.

Sales and marketing expenses. Sales and marketing expenses consist 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 31.7% from $16.6 million in the year ended June 30, 1997 to $21.9 million in the year ended June 30, 1998 but decreased as a percentage of total revenues from 73.5% in the year ended June 30, 1997 to 48.4% in the year ended June 30, 1998. 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. Sales and marketing expenses can be expected to increase in absolute dollars consistent with the Company's increased sales and marketing efforts.

General and administrative expenses. General and administrative expenses consist primarily of salaries of administrative personnel and related overhead and facilities expenses. General and administrative expenses remained constant at $4.6 million in the year ended June 30, 1997 and in the year ended June 30, 1998 and decreased as a percentage of total revenues from 20.5% in the year ended June 30, 1997 to 10.3% in the year ended June 30, 1998. The Company has maintained the size of its management and administrative staff during the year and believes that the level of general and administrative expenses in future periods will increase in absolute dollars as the Company will install new management information systems and processes.

Depreciation expenses. Amortization expense was $1.7 million in the year ended June 30, 1997 and increased to $2.4 million in the year ended June 30, 1998 as a result of increased capital expenditures during the year.

Amortization of acquired intangible assets. Amortization of acquired intangible assets was $618,000 in the year ended June 30, 1998 versus nil for the year ended June 30, 1997. Included in amortization of acquired intangible assets is the amortization of core technology and goodwill on the acquisitions of OnTime and Information Dimensions.

Acquired in-process research and development and write down of acquired intangible assets. During fiscal 1998, the Company acquired certain assets and liabilities of Information Dimensions and OnTime. For both acquisitions, an aggregate of $5.5 million was charged to expense for acquired in-process research and development at the dates of the respective acquisitions in accordance with GAAP. The Company subsequently revised the software and core technology valuation for OnTime resulting in an additional writedown of $2.4 million and this amount has been included in acquired in-process research and development.

Other income. During fiscal 1997, the Company sold its investment in Yahoo! Corporation for a net gain of $5.8 million. Also during the year, reserves were taken against the value of certain investments and other assets, including About.com in the amount of $3.9 million and MacRAE's O.E.M. Mart Inc. in the amount of $815,000. This resulted in other income of $57,000. Other income of $280,000 for fiscal 1998 consisted principally of foreign exchange gains and gains on the sale of fixed assets.

Interest. The Company under capital equipment leases has incurred interest expense. Interest expense was $148,000 in the year ended June 30, 1997 compared to $125,000 in the year ended June 30, 1998. The Company earned interest income in the amount of $1.9 million during the year ended June 30, 1997 which decreased to $1.7 million for the year ended June 30, 1998 as a result of lower interest rates and lower average cash balances. See "Liquidity and Capital Resources".

Income taxes. A deferred tax asset of $16.4 million and $20.4 million existed as of June 30, 1997 and June 30, 1998 respectively. A valuation allowance is recorded against a deferred tax asset if it is more likely than not that the asset will not be realized. In accordance with US GAAP, a valuation allowance continues to be recorded against a significant portion of the deferred tax asset by the Company because of the lack of profitability in the past, the significant risk that taxable income will not be generated in the future and the nontransferable nature of the deferred tax asset under certain conditions.

Quarterly Results

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, 2000, the Company had current assets of $143.3 million, $284,000 of which are available for sale securities, and current liabilities of $45.3 million. The Company has a CDN $10 million (USD$6.8 million) line of credit with a Canadian chartered bank, under which no borrowings were outstanding at June 30, 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.

Cash provided by operations during the year ended June 30, 1999 was $26.4 million. Acquisitions of furniture and equipment were $7.1 million. The purchase of Microstar and PS Software resulted in a cash outflow of $6.6 million. The Company also invested $1.8 million in Communities.com during the year, while gaining proceeds from the sale of About.com shares of $48.3 million.

To date, license 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 issuance of the Company's Common Shares and Special Warrants. In addition, throughout fiscal 2000 the Company recognized non-recurring gains on available for sale securities. In January 2000 the Company repurchased 4 million common shares for $20 per share.

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 to Common Shares without payment of additional consideration.

On March 25, 1998, the Company issued 1,750,000 Special Warrants at a price of $20.85 per Special Warrant for net proceeds to the Company of $34.8 million. All of the Special Warrants were converted into 1,750,000 Common Shares on July 10, 1998 without payment of additional consideration.

During fiscal 1997, the Company advanced approximately $4.0 million to About.com; a US based Internet service development company and converted these advances to a promissory note. During 1998, the Company converted the note to 433,333 shares of Series A Convertible Preferred Stock, 1,114,327 shares of Series B Convertible Preferred Stock and a Special Warrants to purchase 67,708 shares of About.com common stock.

In January 1996, the Company completed an initial public offering with net proceeds of $61.4 million. The Company received net proceeds of approximately $20.6 million from sale of securities in private placements during fiscal 1996 before completion of the public offering.

Since June 30, 1995, the Company has completed the Acquisitions, hired additional employees, increased its sales, marketing and promotional activities, increased occupancy costs and otherwise increased the level of its business activity. This has resulted, and will continue to result, in cash requirements that significantly exceed those of previous years. The Company believes that existing cash and revenue from operations, will be sufficient to satisfy the Company's operational cash requirements until June 30, 2001. See "Forward-Looking Statements". However, 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 begin to generate cash sufficient to satisfy its needs, the Company ultimately would require additional financing. There can be no assurance that such financing would be available if required.

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 36% of the Company's revenues in 2000 and 37% in 1999 has been earned in currencies other than the US dollar. Approximately 49% of the Company's expenses in 2000 and 52% in 1999 and 30% in 1998 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.

Year 2000 Compliance

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers or third parties, have been fully resolved. To date the Company is not aware of any outstanding Year 2000 Issues.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company is primarily exposed to market risks associated with fluctuations in interest rates, foreign currency exchange rates and changes in the market value of its available for sale securities.

- *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 interest income from these investments is subject to interest rate fluctuations, which management believes would not have a material impact on the financial position of the Company.

  The impact on net interest income of a 100 basis point adverse change in interest rates for the fiscal year ended June 30, 2000 would have been less than $2.6 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") and the Euro ("EUR").

  The Company's cash and cash equivalents are primarily held in US Dollars. As at June 30, 2000, 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.

- *Available for sale securities*

  The Company holds an investment in available for sale securities which is subject to changing market value of the underlying stock. Securities of Internet commerce companies such as About.com have been highly volatile, and the amount the Company will realize on this investment is uncertain. The Company does not own derivative financial instruments in its investment portfolio. Assuming a decline of 10% in the market for domestic stocks generally, the Company's equity investments may be expected to decline a corresponding 10%, the result would not be material on the value of the net assets of the Company. The use of a 10% estimate in the decline of equity securities is strictly for estimation and evaluation purposes only.

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 PricewaterhouseCoopers 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.

PricewaterhouseCoopers 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

September 27, 2000

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 1999 and the consolidated statements of operations, shareholders' equity and cash flows for the years ended June 30, 2000, 1999 and 1998. 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 1999 and the results of its operations and its cash flows for the years ended June 30, 2000, 1999, and 1998 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)

	June 30, 2000	June 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 113,918	$ 140,256
Available for sale securities (note 3)	284	45,920
Accounts receivable trade, net of allowance for doubtful accounts of $1,033 as at June 30, 2000 and $1,658 as at June 30, 1999	27,090	31,632
Deferred tax assets (note 12)	-	4,000
Prepaid expenses and other assets	1,983	7,736
Total current assets	143,275	229,544
Capital assets (note 4)	9,470	9,988
Goodwill, net of accumulated amortization of $4,410 at June 30, 2000 and $1,946 at June 30, 1999	21,745	14,388
Deferred tax asset	2,200	1,788
Other assets (note 5)	6,560	9,066
	$ 183,250	$ 264,774
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade and accrued liabilities (note 7)	$ 18,422	$ 13,995
Deferred revenues	16,481	9,802
Income tax payable	10,310	-
Deferred tax liability (note 12)	54	8,152
Total current liabilities	45,267	31,949
Commitments and contingencies (notes 10 and 18)		
Shareholders' equity:		
Share capital (note 8)		
20,229,822 and 21,280,463 Common Shares issued and outstanding at June 30, 2000 and June 30, 1999 respectively	206,667	150,252
Nil and 3,000,000 Special Warrants issued and outstanding at June 30, 2000 and June 30, 1999 respectively	-	97,420
Accumulated other comprehensive income and other capital:		
Unrealized gain on available for sale securities (net of tax)	130	31,699
Cumulative translation adjustment	(1,018)	(735)
Other	-	64
Accumulated deficit	(67,796)	(45,875)
Total shareholders' equity	137,983	232,825
	$ 183,250	$ 264,774

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, 2000	1999	1998
Revenues:			
License	$ 57,574	$ 53,657	$ 29,644
Service	55,371	38,880	15,656
Total revenues	112,945	92,537	45,300
Cost of revenues:			
License	2,685	1,819	1,500
Service	29,951	18,005	7,554
Total cost of revenues	32,636	19,824	9,054
	80,309	72,713	36,246
Operating expenses:			
Research and development	17,743	11,373	7,906
Sales and marketing	42,928	36,441	21,906
General and administrative	19,832	5,921	4,645
Depreciation	4,586	4,225	2,374
Amortization of acquired intangible assets	2,962	2,194	618
Acquired in-process research and development and write down of intangible assets	-	3,419	7,978
Restructuring costs (note 17)	1,774	329	-
Total operating expenses	89,825	63,902	45,427
Income (loss) from operations	(9,516)	8,811	(9,181)
Other income (note 11)	48,965	427	280
Interest income	6,161	2,342	1,745
Interest expense	(109)	(47)	(125)
Income (loss) before income taxes	45,501	11,533	(7,281)
Provision for (recovery of) income taxes (note 12)	20,422	(8,637)	(1,000)
Net income (loss) for the year	$ 25,079	$ 20,170	$ (6,281)
Net income (loss) per share - basic (note 16)	$ 1.12	$ 0.96	$ (0.36)
Net income (loss) per share - diluted (note 16)	$ 1.03	$ 0.85	$ (0.36)
Weighted average number of Common Shares outstanding - basic	22,349,268	20,914,365	17,679,987
Weighted average number of Common Shares outstanding - diluted	24,421,322	23,728,738	17,679,987

See accompanying notes to consolidated financial statements

OPEN TEXT CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Shares		Special Warrants	
	Shares	Amount	Shares	Amount
Balance as of June 30, 1997	17,204	$ 101,103	-	$ -
Issuance of Common Shares				
Conversion of shares set aside	4	54	-	-
Under employee stock options plans	879	3,951	-	-
Issuance of Special Warrants	-	-	1,750	34,800
Reduction in original investments	-	-	-	-
Repayment of employee share purchase loans	-	-	-	-
Comprehensive income:				
Foreign currency translation adjustment	-			
Net loss for the year	-	-	-	-
Total comprehensive income (loss)	-	-	-	-
Balance as of June 30, 1998	18,087	105,108	1,750	34,800
Issuance of Common Shares				
Conversion of shares set aside	9	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
Comprehensive income:				
Unrealized gain on available for sale securities (net of tax of $14,022)	-	-	-	-
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
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	-	-
Comprehensive income:				
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)	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Net income for the year	-	-	-	-
Total comprehensive income (loss)	-	-	-	-
Balance as of June 30, 2000	20,230	$ 206,667	-	$ -

OPEN TEXT CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

Capital Amount	Purchase Loans	Accumulated Deficit	Comprehensive Income (loss)	Total
$ 2,076	$ (383)	$ (59,764)	$ (577)	$ 42,455
(54)	-	-	-	-
-	-	-	-	3,951
-	-	-	-	34,800
(1,867)	-	-	-	(1,867)
-	383	-		383
			(367)	(367)
-	-	(6,281)	-	(6,281)
-	-	-	-	(6,648)
155	-	(66,045)	(944)	73,074
(91)	-	-	-	-
-	-	-	-	9,075
-	-	-	-	307
-	-	-	-	-
-	-	-	-	(31)
-	-	-	-	902
-	-	-	-	97,420
-	-	-	31,699	31,699
-	-	-	209	209
-	-	20,170	-	20,170
-	-	-	-	52,078
64	-	(45,875)	30,964	232,825
-	-	-	-	5,659
-	-	-	-	1,015
-	-	-	-	-
-	-	-	-	1,961
-	-	(47,000)	-	(96,704)
(64)	-	-	-	-
-	-	-	130	130
-	-	-	(31,699)	(31,699)
-	-	-	(283)	(283)
-	-	25,079	-	25,079
-	-	-	-	(6,773)
$ -	$ -	$ (67,796)	$ (888)	$ 137,983

OPEN TEXT CORPORATION

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

	Year Ended June 30, 2000	1999	1998
Cash flows from operating activities:			
Net income (loss) for the year	$ 25,079	$ 20,170	$ (6,281)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization of intangible assets	7,942	6,507	3,151
Acquired in-process research and development	-	3,419	7,978
Deferred taxes	7,400	(11,658)	-
Gain on sale of other investments	(48,130)	(991)	-
Other	(126)	(388)	(446)
Changes in operating assets and liabilities (net of assets acquired in the period):			
Accounts receivable	5,463	(8,601)	(7,864)
Other assets and goodwill	-	5,575	1,000
Prepaid expenses and other current assets	6,330	(5,244)	415
Income tax payable	12,813	-	-
Accounts payable and deferred revenue	9,606	(6,004)	(5,095)
Net cash provided by (used in) operating activities	26,377	2,785	(7,142)
Cash flows from investing activities:			
Acquisitions of furniture and equipment	(7,055)	(4,747)	(3,733)
Purchase of other investments	(1,775)	(3,524)	(2,386)
Proceeds of sale of other investments	1,762	3,928	-
Purchase of PS Software & Microstar	(6,611)	-	-
Purchase of OnTime group net of cash acquired	-	-	(5,485)
Purchase of Information Dimensions group net of cash acquired	-	-	(7,829)
Purchase of Lava Systems	-	(5,797)	-
Proceeds from available for sale securities	48,322	-	-
Proceeds from (additions to) other assets	790	(340)	533
Net cash used in investment activities	35,433	(10,480)	(18,900)
Cash flow from financing activities:			
Payment of obligations under capital leases	(79)	(203)	(597)
Proceeds from issuance of Special Warrants	-	97,420	34,800
Proceeds from issuance of Common Shares	9,157	10,344	2,084
Repurchase of Common Shares	(97,226)	-	-
Employee share purchase loans	-	-	383
Net cash provided by (used in) financing activities	(88,148)	107,561	36,670
Increase(decrease) in cash and cash equivalents during the year	(26,338)	99,866	10,628
Cash and cash equivalents at beginning of the year	140,256	40,390	31,762
Cash and cash equivalents at end of the year	$ 113,918	$ 140,256	$ 42,390

See accompanying notes to consolidated financial statements

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 wholly owned subsidiaries. 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 their fair values assigned to identifiable assets, is amortized on a straight-line basis over its expected useful life. In general, goodwill has been expected to have a useful life of ten years.

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 the estimated useful lives, generally 2 to 7 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.

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 provide consulting services. Contract revenues are 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 are deferred and recognized monthly over the life of the service contract. Revenues from training and integration services are recognized in the period in which the services are performed.

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 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 have substantially coincided. As a result, 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. The Company provides a valuation allowance on net deferred tax assets when it is more likely than not that such assets will not be realized.

Concentration 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 such losses have been within management's expectations. No single customer accounted for more than 10% of the accounts receivable balance at June 30, 2000 and June 30, 1999.

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. The adjustment resulting from translating the financial statements of such foreign subsidiaries is reflected as a separate component of shareholders' equity.

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").

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.

NOTE 3—AVAILABLE FOR SALE SECURITIES

About.com. During fiscal 1997, the Company acquired a minority equity interest in About.com, Inc. ("About.com") (formerly MiningCo.com Inc. and formerly General Internet, Inc.) which represented 885,201 shares of common stock. In March 1999, About.com completed an initial public offering of common stock and its common stock was listed on the NASDAQ. At June 30, 2000 and June 30, 1999, the closing price for About.com's common stock as reported by NASDAQ was $31.50 per share and $51.875 per share respectively. During year ended June 30, 2000 the Company sold 876,301 shares of About.com. Currently the Company holds 8,900 shares of About.com, which are restricted from sale until February 2001. The Company is actively seeking release from this restriction.

Beginning in the quarter ended March 31, 1999, the Company commenced accounting for its interest in About.com as securities available for sale, and will carry the investment on its balance sheet as a current asset valued at the trading value of the securities on the balance sheet date. The Company's balance sheet also includes a current liability for the estimated future income tax payable if the securities were sold at the value reflected on the balance sheet. Securities of Internet commerce companies such as About.com have been highly volatile, and the amount the Company will realize on this investment is uncertain. The market price since year end is lower than the price at June 30, 2000.

NOTE 4—CAPITAL ASSETS

	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

	June 30, 1999		
	Cost	Accumulated Depreciation	Net
		(in thousands)	
Furniture and fixtures	$ 3,743	$ 1,556	$ 2,187
Office equipment	398	256	142
Computer hardware and software	18,938	11,749	7,189
Leasehold improvements	814	344	470
	$ 23,893	$ 13,905	$ 9,988

NOTE 5 – OTHER ASSETS

	June 30,	
	2000	1999
	(in thousands)	
Investments	$ 2,516	2,051
Technology rights	-	656
Purchased software	691	2,312
Core technology	2,370	2,852
Other	983	1,195
	$ 6,560	$ 9,066

NOTE 6—BANK INDEBTEDNESS

The Company has a CDN $10.0 million (USD $6.8 million) line of credit with a Canadian chartered bank, under which no borrowings were outstanding at June 30, 2000 and 1999. 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 2000, 1999 and 1998 borrowings and interest cost on bank indebtedness were insignificant.

NOTE 7 - ACCOUNTS PAYABLE - TRADE AND ACCRUED LIABILITIES

	June 30, 2000	June 30, 1999
	(in thousands)	
Accounts payable - trade	$ 3,757	$ 4,369
Accrued trade liabilities	6,173	3,405
Amounts payable related to acquisitions	968	1,265
Restructuring	221	-
Accrued salaries and commissions	7,241	4,815
Other liabilities	62	141
	$ 18,422	$ 13,995

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 2000, the Company repurchased for cancellation 4,849,300 common shares at a cost of $93.1 million, of which $48.5 million has been charged to share capital and $44.6 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. Throughout the period from March to June 2000 the Company repurchased a total of 120,800 common shares at a 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 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.

On March 25, 1998, the Company issued 1,750,000 Special Warrants convertible into Common Shares at a price of $20.85 per Special Warrant for net proceeds to the Company of $34.8 million. A receipt for a final prospectus was filed on July 2, 1998 and all the Special Warrants were converted on July 10, 1998 without additional consideration.

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. The Board of Directors increased the number of Common Shares available under the Incentive Plan to accommodate these grants.

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 vest 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 357,500 Common Shares to eligible former directors, officers 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, 2000, 524,000 options had been granted to date and 143,000 had been cancelled to date under the Directors Plan of which 264,500 options in total are outstanding and eligible to purchase Common Shares as follows: 52,000 options at an exercise price of $6.63 vesting over four years; 12,000 options at an exercise price of $9.97 vesting over four years; 70,000 options at an exercise price of $11.18 vesting over four years; 44,000 options at an exercise price of $12.90 vesting over four years and 86,500 options at an exercise price of $14.81 vesting over four years.

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 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 1998, additional new options to purchase 25,000 Common Shares were granted under the New Option Plan at an exercise price of $15.375.

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.

Summary of Outstanding Stock Options

As of June 30, 2000, options to purchase an aggregate of 3,368,800 Common Shares were outstanding under all of the Company's stock option plans out of an allowable pool of options totaling 3,555,808. Options to purchase 1,475,324 shares were exercisable at an average price of $9.54. At June 30, 1999, options to purchase 1,010,361 shares were exercisable at an average price of $7.14. At June 30, 1998, options to purchase 1,055,020 shares were exercisable at an average price of $5.96.

A summary of option activity since June 30, 1997 is set forth below:

	Number	Exercise Price
Options outstanding at June 30, 1997	4,735,506	$ 5.65
Granted during fiscal 1998	1,813,057	11.30
Cancelled	(653,977)	5.51
Exercised	(828,496)	4.73
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

The following table summarizes information regarding stock options outstanding at June 30, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 2000	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Outstanding at June 30, 2000	Weighted Average Exercise Price
$ 0.0006 - $ 0.15	54,800	4.94	$ 0.15	51,300	$ 0.15
3.98 - 6.63	736,028	6.31	5.59	489,030	5.59
6.88 - 8.00	167,506	6.89	7.96	129,846	7.97
8.50 - 11.25	635,147	7.21	9.69	446,634	9.48
11.44 - 20.94	1,238,736	8.33	14.07	284,682	13.71
21.88 - 31.50	536,583	8.93	30.84	73,832	36.51
0.0006 - 31.50	3,368,800	7.65	12.86	1,475,324	9.54

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 lessor 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 2000, a total of 111,057 Common Shares were issued under the ESPP and during fiscal 1999, a total of 69,654 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 (loss) for the year and net income (loss) per share would have been in accordance with the pro forma amounts indicated below:

	June 30,		
	2000	1999	1998
Net income (loss) for the year		(in thousands)	
As reported	$ 25,079	$ 20,170	$ (6,281)
Pro forma	$ 17,663	$ 12,213	$ (14,304)
Net income (loss) per share - basic			
As reported	$ 1.12	$ 0.96	$ (0.36)
Pro forma	$ 0.79	$ 0.60	$ (0.81)
Net income (loss) per share - diluted			
As reported	$ 1.03	$ 0.85	$ (0.36)
Pro forma	$ 0.75	$ 0.54	$ (0.81)

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

	June 30,		
	2000	1999	1998
Volatility	100%	79%	64%
Risk-free interest rate	6%	6%	6%
Dividend yield	-	-	-
Expected lives (in years)	5.5	5.8	5.5
Weighted average fair value (in dollars)	$ 24.83	$ 21.76	$ 13.87

NOTE 10—COMMITMENTS

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

Rent expense amounted to $4.2 million in 2000, $3.4 million in 1999 and $2.2 million in 1998.

	(in thousands)
2001	$ 4,246
2002	4,203
2003	4,171
2004	3,986
Thereafter	3,966
	$ 20,572

NOTE 11—OTHER INCOME

	June 30,		
	2000	1999	1998
	(in thousands)		
Gain on sale of investments, net of disposal costs	$ 49,016	$ 991	-
Gain associated with investment activities	-	1,080	-
Gain on sale of other investments	49,016	2,071	-
Cost associated with investment activities	-	(1,196)	-
Balance of other income	(51)	(448)	$ 280
Other income	$ 48,965	$ 427	$ 280

During fiscal 2000, the Company sold 876,301 shares of its investment in About.com. Currently the Company holds 8,900 shares of About.com, which are restricted from sale until February 2001.

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,		
	2000	1999	1998
		(in thousands)	
Domestic income (loss)	46,486	3,650	(6,919)
Foreign income (loss)	(985)	7,883	(362)
Income (loss) before income taxes	$ 45,501	$ 11,533	$ (7,281)

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

	Year Ended June 30,		
	2000	1999	1998
		(in thousands)	
Expected statutory rate (recovery)	44.5%	44.6%	(44.6%)
Expected provision for (recovery of) income tax	$ 20,249	$ 5,144	$ (3,247)
Effect of foreign tax rate differences	360	(459)	-
Non-taxable portion of capital gain	(5,050)	-	-
Tax incentive for research and development	(78)	(1,245)	(700)
Change in valuation allowance	4,604	(11,673)	2,997
Other items	337	(404)	(50)
	$ 20,422	$ (8,637)	$ (1,000)

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

	Year Ended June 30,		
	2000	1999	1998
		(in thousands)	
Domestic:			
Current income taxes	$ 10,490	$ -	$ -
Deferred income taxes	7,000	(5,642)	(1,000)
	$ 17,490	$ (5,642)	$ (1,000)
Foreign:			
Current income taxes	$ 420	$ 446	$ -
Deferred income taxes	2,512	(3,441)	-
	$ 2,932	$ (2,995)	$ -
Provision for (recovery of) income taxes	$ 20,422	$ (8,637)	$ (1,000)

The Company has domestic non-capital loss carry forwards of $0.7 million which expire between 2003 and 2006. In addition, the Company has approximately $33.0 million of foreign non-capital loss carry forwards of which $10.7 million have no expiry date. The remainder expire between 2004 and 2011.

The primary temporary differences which gave rise to deferred taxes at June 30, 2000 and 1999 are:

	Year Ended June 30,	
	2000	1999
	(in thousands)	
Deferred tax assets		
Net operating loss carryforwards	$ 9,700	$ 12,985
Employee stock options	3,300	1,700
Scientific research and development tax credits	1,500	1,933
Share issue costs	800	1,741
Depreciation and amortization	-	995
Total deferred tax asset	15,300	19,354
Less, valuation allowance	(12,300)	(7,696)
	3,000	11,658
Deferred tax liabilities		
Depreciation and amortization	800	-
Available for sale securities	54	14,022
	854	14,022
Net deferred tax asset (liability)	$ 2,146	$ (2,364)
The net deferred tax assets are reflected in the balance sheet as follows:		
Current deferred tax asset	$ -	$ 4,000
Current deferred tax liability	(54)	(8,152)
Long term defered tax asset	2,200	1,788
	$ 2,146	$ (2,364)

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 operating loss carry forwards above are tax benefits associated with employee's stock option exercises in the amount of $5.9 million (1999-$2.9 million). As the valuation allowance against these deductions is reduced in the future, the benefit of the deductions is credited to shareholders' equity.

Approximately $1.6 million of the decrease in the 1999 valuation allowance was attributed to benefits acquired in an acquisition and accordingly was charged against goodwill of that acquisition. A further $1.3 million in tax benefits related to another acquisition will be charged against goodwill of such acquisition if the valuation allowance on that benefit is reduced.

NOTE 13—SEGMENT INFORMATION

In 1997, the Financial Accounting Standards Board issued 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 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)		
2000				
Total Revenue	$ 68,351	$ 40,531	$ 4,063	$ 112,945
Operating costs	80,731	28,803	2,870	112,404
Contribution margin	$ (12,380)	$ 11,728	$ 1,193	$ 541
Segment assets	$ 50,690	$ 28,841	$ 713	$ 80,244
1999				
Total Revenue	$ 54,690	$ 34,838	$ 3,009	$ 92,537
Operating costs	46,383	25,038	1,296	72,717
Contribution margin	$ 8,307	$ 9,800	$ 1,713	$ 19,820
Segment assets	$ 56,270	$ 24,797	$ 736	$ 81,803
1998				
Total Revenue	$ 33,688	$ 10,501	$ 1,111	$ 45,300
Operating costs	33,437	9,704	377	43,518
Contribution margin	$ 251	$ 797	$ 734	$ 1,782
Segment assets	$ 43,772	$ 13,560	$ -	$ 57,332

For the year ended June 30, 2000, 1999 and 1998, the "Other" category consists of geographic regions other than North America and Europe.

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, 2000, 1999 and 1998 is as follows:

	Year Ended June 30,		
	2000	1999	1998
	(in thousands)		
Total contribution margin from operating segments above	$ 541	$ 19,820	$ 1,782
Amortization and depreciation	(7,948)	(10,055)	(10,962)
Total operating income (loss)	(7,407)	9,765	(9,180)
Intercompany transactions	-	(5)	1
Interest, other income and taxes	32,486	10,410	2,898
Net income (loss) for the year	$ 25,079	$ 20,170	$ (6,281)

	As of June 30,		
	2000	1999	1998
	(in thousands)		
Segment assets	$ 80,244	$ 81,803	$ 57,332
Available for sale securities	284	45,920	-
Investments	2,791	2,051	3,977
Cash and cash equivalents	99,931	135,000	39,100
Total corporate assets	$ 183,250	$ 264,774	$ 100,409

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 included in segment assets.

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, 2000, 1999 and 1998 are as follows:

	Year Ended June 30,		
	2000	1999	1998
	(in thousands)		
Total revenues:			
Canada	$ 10,717	$ 7,394	$ 3,697
United States	58,331	47,299	29,991
United Kingdom	15,746	7,449	420
Other	28,151	30,395	11,192
Total revenues	$ 112,945	$ 92,537	$ 45,300

	As of June 30, 2000	1999	1998
	(in thousands)		
Segment assets:			
Canada	$ 17,879	$ 14,905	$ 6,827
United Kingdom	11,301	11,055	1,095
Other	51,064	55,843	49,410
Total segment assets	$ 80,244	$ 81,803	$ 57,332

NOTE 14—SUPPLEMENTAL CASH DISCLOSURES

	Year ended June 30, 2000	1999	1998
	(in thousands)		
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 97	$ 47	$ 125
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	54

NOTE 15—ACQUISITIONS

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. PS Software was based in 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.

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

	(in thousands)
Goodwill	$ 3,201
Tangible net liabilities	(201)
	$ 3,000

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. Consequently, at June 30, 2000, a balance of $168,000 remains in the acquisition accrual relating primarily to the term outstanding on the sublease of the vacated premises of PS Software.

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.

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. 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 a considerable experience in the government sector, which benefited the Company's current government customers.

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

	(in thousands)
Goodwill	$ 4,763
Tangible net liabilities	(159)
	$ 4,604

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, $129,000 remains in the acquisition accrual at June 30, 2000 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	3,419
	$ 2,297

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. An acquisition accrual of $671,000; remains on the balance sheet at June 30, 2000. This amount relates to the potential claims of former Lava employees. The potential claims have been recorded based on estimates, which management believes are reasonable, however, the amount may change as management obtains more information about the outcome of the various claims. Initial hearings have been completed on all claims, however to date, the arbitrator has not made a final decision on all claims.

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 been able to leverage 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 been a catalyst to the Company's increased professional services revenue, especially in Europe.

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 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.

Fiscal 1998

Information Dimensions

On June 3, 1998, the Company acquired certain of the assets and liabilities of Information Dimensions for approximately $8.1 million which consists of cash paid on closing of $7.6 million and an accrual of $500,000 for contingent consideration, based on the delivery of a special purpose balance sheet of the assets and liabilities assigned as at May 31, 1998. The Company paid $184,000 to Gores Technology on June 1, 1999. To date Gores Technology is appealing the contingent consideration paid, maintaining the full $500,000 should be reimbursed. This issue is currently in arbitration; no liability remains on the balance sheet regarding this matter.

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 $569,000. 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 $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 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 will be amortized over ten years.

Acquired in-process research and development costs represented the present value of Information Dimensions technology acquired that required completion. The CIC/Techlib product was completed in fiscal 1999.

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 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 $21 million in 2001, $19 million in 2002, $15 million in 2003, $13 million in 2004, $10 million in 2005, $9 million in 2006 and $8 million in 2007 and 2008. Product margins and operating costs used in the valuation model were similar to those the Company currently experiences.

The basis activator module has been 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 which was acquired through the acquisition.

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

	(in thousands)
Tangible net liabilities	$ (11,026)
Current software products	569
Core technology	3,372
Acquired in-process research and development	5,477
Goodwill	9,708
	$ 8,100

The software technology valuation was accomplished through the application of the 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 three categories:

- current software products
- core technology
- in-process research and development

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 $569,000. 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 $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 acquired in-process research and development costs 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 value of identifiable assets acquired and liabilities assumed has been recorded as goodwill in the amount of $9.7 million which will be amortized over ten years.

OnTime

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. The operations of OnTime have been included in the financial statements from the purchase date. Cash in the amount of $6.2 million was paid at closing.

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.

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

	(in thousands)
Tangible net liabilities	$ (2,214)
Current software products	1,088
Core technology	1,631
Goodwill	6,195
	$ 6,700

Included in tangible net liabilities is an amount of $1.1 million for direct acquisition costs, involuntary terminations and exit costs. The liabilities included $625,000 for direct acquisition costs, $315,000 for involuntary terminations and $180,000 for moving costs. The involuntary terminations related to finance, administration and sales employees of OnTime. All actions under these plans were completed during the year ended June 30, 1998 with no material differences from the estimates made at the date of acquisition.

The software technology valuation was accomplished through the application of an income approach. Projected debt-free income, revenue net of provision for operating expenses and income taxes were discounted to a present value. 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 $1.1 million. This amount was recorded as an asset and is being amortized on a straight-line basis over four years. Fair market value of the purchased core technology was determined to be $1.6 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 excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed has been recorded as goodwill of $6.2 million. In accordance with applicable accounting rules, this amount was capitalized upon acquisition and will be amortized on a straight-line basis over a ten year period.

The Company subsequently revised the current software products and core technology valuation for OnTime resulting in an additional write-down of $2.5 million and this amount has been included in acquired in-process research and development.

Costs accrued under the Information Dimensions and OnTime acquisitions for involuntary terminations and relocation were settled in fiscal 1999.

NOTE 16—EARNINGS PER SHARE

	Year Ended June 30,		
	2000	1999	1998
	(in thousands, except per share data)		
Basic income (loss) per share			
Net income (loss)	$ 25,079	$ 20,170	$ (6,281)
Weighted average number of shares outstanding	21,791	20,914	17,680
Weighted average of special warrants	557	-	-
Adjusted weighted average number of shares outstanding	22,348	20,914	17,680
Basic income (loss) per share	$ 1.12	$ 0.96	$ (0.36)
Diluted income (loss) per share			
Net income (loss)	$ 25,079	$ 20,170	$ (6,281)
Weighted average number of shares outstanding	22,348	20,914	17,680
Dilutive effect of stock options *	2,073	2,814	-
Adjusted weighted average number of shares outstanding	24,421	23,729	17,680
Diluted income (loss) per share	$ 1.03	$ 0.85	$ (0.36)

* anti-dilutive options of 382,570 have been excluded (fiscal 1999 - 113,598)

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 remain outstanding. These amounts will be settled throughout the first and second quarters of fiscal 2001.

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

NOTE 18—LEGAL PROCEEDINGS

The Company commenced proceedings against NetSys Technology Group AB ("NetSys") by notice of arbitration dated February 9, 1999. The Company claimed a declaration that the Distributorship Agreement between the parties dated January 17, 1997 be terminated in accordance with its terms; an accounting of profits made by NetSys for sales outside of its territory; and payment of $130,000 for unpaid hosting fees and other ancillary relief.

NetSys counterclaimed for damages for breach of contract in the providing of certain software in the amount of 400,000,000 Swedish Kroner and declarations that it had a right to distribute Open Text products worldwide.

The matter was heard before a Panel of three arbitrators under the Rules of the Arbitration and Mediation Institute of Ontario and conducted under the provisions of the Ontario International Arbitrations Act. The arbitral tribunal issued its award dated March 31, 2000. The Panel declared that the Distribution Agreement with NetSys was terminated by reason of NetSys' breaches thereof. The arbitral tribunal also held Open Text Corporation is entitled to an accounting from NetSys of all sales made out of its territory and an accounting of all seat fees received by them. Open Text was also awarded the sum of $133,000 on account of unpaid hosting fees together with its full costs of arbitration, estimated at approximately $400,000, which includes expert fees, arbitrator fees and disbursements. The counterclaim by NetSys was dismissed in its entirety.

NOTE 19—RECLASSIFICATION

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

NOTE 20—RECENT ACCOUNTING PRONOUNCEMENTS

On March 31, 2000, the Financial Accounting Standards Board (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 FASB Statement No. 123, Accounting for Stock- Based Compensation (FAS 123). The new rules are significant and will result in compensation expense in several situations in which no expense is typically recorded under current practice, 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 Company does not expect the adoption of this Interpretation to have a material impact on its results of operations or financial condition.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial statements, which was amended in March 2000 by SAB 101A. The SAB summarizes certain of the SEC staff views in applying generally accepted accounting principles to revenue recognition in financial statements. This SAB is effective beginning the Company's first quarter of fiscal 2001. The Company does not expect the adoption of this SAB to have a material impact on its results of operations or financial condition.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employer Disclosure about Pensions and other Post Retirement Benefits" and SFAS No. 133, "Accounting for Derivatives and Other Hedging Activities". As the Company currently does not have any post retirement benefits and does not engage in any hedging activities, the provisions of these Statements would have no impact on the Company's financial condition or statement of operations. To the extent the Company begins to enter into such transactions in the future, the Company will adopt these statements.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth certain information as to the directors and officers of the Company as of June 30, 2000.

Name	Age	Position with Company	Principal Occupation
P Thomas Jenkins Waterloo, Ontario, Canada	40	Director and Chief Executive Officer	Chief Executive Officer of the Company
John Shackleton Burridge, IL, USA	53	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)
Stanley Stern	43	Director	Managing Director, U.S. of S.T.I. Ventures Advisors
Randy Fowlie[2] Waterloo, Ontario, Canada	40	Director	Chief Operating Officer and Chief Financial Officer, Inscriber Technology Corporation (a computer software company)
Ken Olisa [1] Surrey, UK	48	Director	Managing Director, Interregnum Venture Marketing Limited (an Information Technology venture marketing company)
Stephen J Sadler[2] Aurora, Ontario, Canada	49	Director	Chairman and CEO, Enghouse Systems Limited (a software engineering company)
Michael Slaunwhite[2][3] Gloucester, Ontario, Canada	39	Director	President, Manta Corporation (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	52	Chief Financial Officer	Chief Financial Officer of the Company
Anik Ganguly Northville, Michigan, USA	41	Executive Vice President, Product Management	Executive Vice President, Product Management of the Company
Andrew Pery Orleans, Ontario, Canada	49	Vice President, Global Marketing	Vice President, Global Marketing 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.

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. ("Helix"), 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 leader 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 is Chairman & CEO of Interregnum Plc., an information technology advisory and investment company. 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 Loblaws 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 Multimedia, as well as being a director of several private companies in the high tech industry sector.

Michael Slaunwhite has served as a director of the Company since March 1998. Mr. Slaunwhite has served as President of Manta Corporation, a leading vendor of products and services to the groupware marketplace since 1995. 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.

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 John 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.

Stanley Stern has served as a director of the Company since February 2000. Since 1999 Mr. Stern served as the Managing Director, U.S. of S.T.I. Ventures Advisors, a global venture capital firm. From 1981 to 1999, he held several positions at Oppenheimer and CIBC Oppenheimer, including head of technology investment banking. He is a director of a number of public companies.

Alan Hoverd was appointed Chief Financial Officer of Open Text Corporation in April of 2000. He joined the Company as the Vice President of Finance in July of 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, a corporation with annual revenues of two billion dollars Canadian. 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 of 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. Since 1991, he has been involved in Enterprise Software development and, in particular, the application of Internet standards to facilitate collaboration and communication across company 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. 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 US 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.

Item 11. Executive Compensation

EXECUTIVE COMPENSATION AND OTHER TRANSACTIONS

The following individuals comprise the executive officers of the Company:

Name	Age	Title
P Thomas Jenkins	40	Director and Chief Executive Officer
John Shackleton	53	President
Alan Hoverd	52	Chief Financial Officer
Anik Ganguly	41	Executive Vice President, Product Management
Andrew Pery	49	Vice President Global Marketing

P Thomas Jenkins. Please see biographical information in Part III, Item 10 Directors and Executive Officers of the Registrant.
John Shackleton. Please see biographical information in Part III, Item 10 Directors and Executive Officers of the Registrant.
Alan Hoverd. Please see biographical information in Part III, Item 10 Directors and Executive Officers of the Registrant.
Anik Ganguly. Please see biographical information in Part III, Item 10 Directors and Executive Officers of the Registrant.
Andrew Pery. Please see biographical information in Part III, Item 10 Directors and Executive Officers of the Registrant.

Executive Compensation

The following Summary Compensation Table sets forth the compensation paid by the Company during the fiscal years ended June 30, 2000, 1999 and 1998 to the Company's Chief Executive Officer and four other executive officers whose salary and bonus for services in all capacities to the Company exceeded $100,000 (collectively, the "Named Executive Officers") during the fiscal year ended June 30, 2000.

Summary Compensation Table

		Annual Compensation			Long Term Compensation Awards
Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Compensation	Number of Shares Underlying Options
P Thomas Jenkins	2000	$ 195,602	$ -	$ 19,558	-
Chief Executive Officer	1999	$ 190,642	$ 81,684 (1)	$ 23,311	-
	1998(2)	$ 195,994	$ 44,713	$ 20,862	12,000 (3)
John Shackleton	2000	$ 313,125	$ 116,800	$ 3,638	-
President	1999	$ 200,000	$ 25,000	$ 850	400,000
	1998	$ -	$ -	$ -	-
Alan Hoverd	2000	$ 90,128	$ 74,030	$ 151	125,000 (4)
Chief Financial Officer	1999	$ -	$ -	$ -	-
	1998	$ -	$ -	$ -	-
Anik Ganguly	2000	$ 157,040	$ 13,658	$ 1,021	-
Executive Vice President, Product	1999	$ 157,040	$ 40,732	$ 1,090	10,000
Management	1998	$ 88,083	$ 25,519	$ -	25,000
Andrew Pery	2000	$ 69,276	$ 51,617	$ 80	5,000
Vice President Global Marketing	1999	$ -	$ -	$ -	-
	1998	$ -	$ -	$ -	-

(1) Payment in Fiscal Year 1999 on a bonus earned in fiscal Year 1998.

(2) Options to purchase 850,000 Common Shares were granted to Mr. Jenkins during fiscal 1995 and exercised in August 1995 at an exercise price of $0.15 per share. The Company extended a non-recourse, interest-free loan of C$170,000 (US$120,000) in September 1995 to Mr. Jenkins to finance his exercise of these options. The loan was repaid by Mr. Jenkins during fiscal 1998. See "Certain Relationships and Related Transactions – Loans to Related Parties."

(3) Options to purchase 12,000 Common Shares at an exercise price of $15.00 were granted to Mr. Jenkins during fiscal 2000 for a bonus earned in 1998 which vest over four years from date of issue.

(4) Options to purchase 25,000 Common shares were granted to Mr. Hoverd during fiscal 2000 at an exercise price of $31.313 per share, such options to vest over 4 years. Options to purchase a further 100,000 Common Shares at an exercise price of $20.375 were granted, subject to the shareholder and regulatory approval, were granted to Mr. Hoverd during fiscal 2000 which vest over four years from date of issue.

Executive Officer Employment Agreements

The following is a brief description of the employment agreements entered into between the Company or its subsidiaries and each of the Named Executive Officers.

Effective January 1, 1999, the Company entered into a new employment agreement with P. Thomas Jenkins that provides for a base salary of C$297,000 (US$200,722) per year and for an annual performance bonus based upon goals established by the Compensation Committee from time to time. In addition, the employment agreement provides for a one-time long term incentive bonus based upon exceeding certain earnings per share and share price thresholds during the term of the agreement. The agreement has a term which expires on June 30, 2003 unless extended by mutual agreement of the parties. The employment agreement provides that, upon termination without "just cause", the Company will pay Mr. Jenkins a lump-sum amount equivalent to the lesser of 12 months base salary or the base salary for the remaining balance of the term; and Mr. Jenkins will be entitled to receive all other benefits to which he would have been entitled for the following six months. If Mr. Jenkins is terminated as a result of a change in control of the Company, other than the acquisition of control by Helix, the Company will pay Mr. Jenkins a lump-sum amount of C$750,000 (US$507,000).

Effective November 1998, the Company entered into an employment agreement with John Shackleton that provides for a base salary of $300,000 per year and for an annual bonus up to $175,000 payable quarterly for attainment of corporate, revenue and profit, and individual goals that are assigned from time to time by the Chief Executive Officer. The employment agreement provides that prior to December 2000, upon termination without "just cause," the Company will pay Mr. Shackleton, semi-monthly an amount equivalent to 12 months base salary plus incentives, such incentive would be calculated on a prorated basis up to the date of the termination. After December 2000, upon termination without "just cause," the Company will pay Mr. Shackleton, semi-monthly an amount equivalent to 6 months base salary plus incentives, such incentive would be calculated on a prorated basis up to the date of the termination.

Effective April 2000, the Company entered into an agreement with Alan Hoverd that provided for a base salary of C$140,000 (US$94,640) and for an annual performance bonus of C$80,000 (US$54,080) based upon goals established by the Compensation Committee from time to time. Subject to the shareholder and regulatory approval, options to purchase 100,000 Common Shares at an exercise price of $20.375 were granted to Mr. Hoverd during fiscal 2000 which vest over four years from date of issue.

Effective December 1997, the Company entered into an employment agreement with Anik Ganguly that provided for a base salary of $151,000 per year and for a bonus up to 50% of his base salary for attainment of corporate, revenue and profit, and individual goals that are agreed upon. The employment agreement provides that upon termination without "just cause," the Company will pay Mr. Ganguly a semi-monthly amount equivalent to 6 months base salary.

Effective September 1999, the Company entered into an employment agreement with Andrew Pery that provided for a base salary of C$120,000 (US$81,120). The employment agreement provides that upon termination without "just cause," the Company will pay Mr. Pery an amount equivalent to 6 months base salary plus incentives, such incentive would be calculated on a prorated basis up to the date of the termination.

The Company has also entered into separate Employee Confidentiality and Non-Solicitation Agreements with each of the Named Executive Officers. Under these agreements, each of them has agreed to keep in confidence all proprietary information of the Company obtained during his employment with the Company and for a period of three years following the termination of his employment with the Company.

Stock Plans

1998 Stock Option Plan. On June 23, 1998, the Board of Directors adopted the Company's 1998 Stock Option Plan (the "1998 Option Plan") in conjunction with the Company's listing on the TSE. The 1998 Option Plan complies both with TSE and NASDAQ listing requirements. 1,800,000 Common Shares are reserved for issuance pursuant to the 1998 Option Plan. Under the 1998 Option Plan, non-transferable options to purchase Common Shares may be granted to all employees, directors, and persons providing services to the Company and its subsidiaries based on the eligibility criteria set forth in the 1998 Option Plan. The exercise price of any option to be granted under the 1998 Option Plan is to be determined by the Board of Directors, 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. No person may be granted options to purchase Common Shares under the 1998 Option Plan or receive Common Shares pursuant to any other share compensation arrangement exceeding 5% of the outstanding Common Shares. Grants of options to purchase Common Shares under the 1998 Option Plan or receipt of Common Shares pursuant to any other share compensation arrangement to insiders, taken together as a group, may not exceed 15% of the outstanding Common Shares. In addition, within any one-year period, no insider and such insider's associates, may receive Common Shares issued pursuant to all share compensation arrangements exceeding 5% of the outstanding Common Shares.

The 1998 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 1998 Option Plan or to assist option holders in payment of taxes due upon exercise of options granted pursuant to the 1998 Option Plan. The term of any option granted under the 1998 Option Plan will not exceed ten years.

Under the 1998 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 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 1998 Option Plan is administered by the Board of Directors, which has the authority, subject to the terms of the 1998 Option Plan, to determine the persons to whom options may be granted, the exercise price, the 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 1998 Option Plan on June 23, 1998 by the Board, no further options have been or will be issued under any of the previous options plans of the Company.

As of June 30, 2000, 1,489,518 options had been previously granted and remain unexercised under the 1998 Option Plan.

1995 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. Since the approval of the 1998 Option Plan on June 23, 1998 by the Board, no further options have been or will be issued under the Incentive Plan. As of June 30, 2000, 1,467,382 options had been previously granted and remain unexercised under the Incentive Plan.

The Incentive Plan may be administered by either the Board or a committee designated by the Board (the "Plan Administrator"). Currently, the Compensation Committee is acting as the Plan Administrator. Options granted under the Incentive Plan vest over a four or five year period, but may vest over a different period at the discretion of the Plan Administrator. Under the Incentive Plan, options are exercisable for a period of up to ten 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.

Certain options granted under the Incentive Plan were eligible for the Company's option exchange program, which allows the optionees to surrender their existing options for an equal number of options exercisable at a lower price. See "Option Exchange Program."

1995 Supplementary Stock Option Plan. In October 1995, the Company adopted the 1995 Supplementary Stock Option Plan ("the Supplementary Plan"). This Plan provided for the granting of options to purchase an aggregate of 357,500 Common Shares to eligible former directors, officers and employees of Odesta. Options to purchase 357,500 Common Shares have been issued at an exercise price of $14.00 per share. As of June 30, 2000 options to purchase an aggregate of 105,200 Common Shares had been previously granted and remain unexercised under the 1995 Supplementary Stock Plan. Options granted under the Supplementary Plan have all vested. Under the Supplementary Plan, options are exercisable for a period of ten years from the grant date. The Supplementary Plan may be administered by either the Board or a committee designated by the Board (the "Plan Administrator"). Currently the Compensation Committee is acting as the Plan Administrator. 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 1995 Directors Stock Option plan ("Directors Plan") originally provided for the granting of options to purchase an aggregate of 50,000 Common Shares to eligible non-employee directors of the Company. An additional 500,000 Common Shares were reserved for issuance under the Directors Plan. Since the approval of the 1998 Option Plan by the Board on June 23, 1998, no further options have been or will be issued under the Directors Plan. As of June 30, 2000, 264,500 options had been previously granted and remain unexercised under the Directors Plan. The Directors Plan may be administered by either the Board or a committee designated by the Board (the "Plan Administrator"). Currently the Compensation Committee is acting as the Plan Administrator. In accordance with the Directors Plan, the Plan Administrator determines the non-employee directors of 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.

Option Exchange Program. The Company offered an option exchange program in the Fall of 1996 whereby certain options in the Incentive Plan and the Supplementary Plan were eligible to be exchanged for the same number of options with a lower exercise price. The repriced options vest over a longer period of time.

Summary of Outstanding Stock Options and Potential Issuances. As of June 30, 2000, options to purchase an aggregate of 3,368,800 Common Shares had been previously granted and unexercised under all of the Company's stock option plans out of an allowable pool of options totaling 3,555,808. Options to purchase 1,475,324 Common Shares were fully vested and the remaining options vest over the next four years.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee was established in April 1994. During fiscal 2000, the Compensation Committee was comprised of Messrs. Black, Olisa and Stern. None of the current members of the Compensation Committee are an officer or employee of the Company. For information regarding certain relationships and transactions between the Company and members of the Board of Directors, see "Certain Relationships and Related Transactions."

Stock Option Information

Option Grants in Last Fiscal Year

The following table sets forth certain information for the fiscal year ended June 30, 2000, with respect to options granted to the Named Executive Officers.

Name	Number of Securities Underlying Options Granted	Individual Grants of Percent of Total Options Granted to Employees in 1998 Fiscal Year	Exercise or Base Price Per Share	Expiration Date	Potential Realized Value At Assumed Annual Rates of Stock Price Appreciation For Option Term 5%	10%
P. Thomas Jenkins	-	-	$ -	-	$ -	$ -
John Shackleton	-	-	$ -	-	$ -	$ -
Alan Hoverd (1)	25,000		$ 31.313	July 12, 2009	$ 82,283	$ 579,627
Anik Ganguly	-	-	$ -	-	$ -	$ -
Andrew Pery	5,000		$ 18.630	Sept 2, 2009	$ 74,660	$ 163,498

(1) Subject to the shareholder and regulatory approval, options to purchase 100,000 Common Shares at an exercise price of $20.375 were granted to Mr. Hoverd during fiscal 2000 which vest over four years from date of issue and which do not appear in this table.

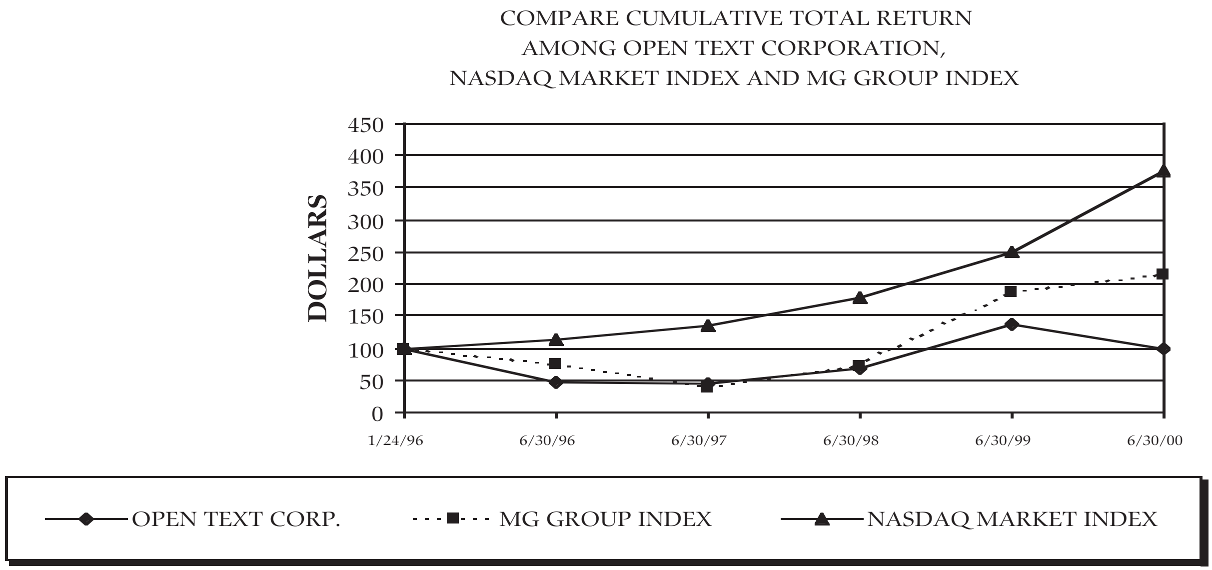
Aggregate Option Exercises in the Last Fiscal Year and Fiscal Year-End Option Values

The following tables sets forth certain information with respect to the number of Common Shares covered by both exercisable and unexercisable stock options held by the individuals named in the Summary Compensation Table above as of the fiscal year ended June 30, 2000. Also reported are values for "in-the-money" stock options that represent the difference between the respective exercise prices of outstanding stock options and the fair market value of the Common Shares as of June 30, 2000 ($21.50 per share).

Name	Shares Acquired on Exercise	Value Received	Number of Securities Underlying Unexercised Options at Fiscal Year-End Exercisable/Unexercisable	Value of Unexercised In-The-Money Options at Fiscal Year-End Exercisable/Unexercisable
P Thomas Jenkins	-	-	123,000/39,000	$1,639,500/$463,500
John Shackleton	-	-	100,000/300,000	$775,000/$2,325,000
Alan Hoverd (1)	-		0/25,000	Nil/$0
Anik Ganguly	-	-	21,250/13,750	$196,641/$5,547
Andrew Pery	1,667	$50,625	0/3,333	Nil/$9,566

Stock Performance Graph

The following graph compares the change in the Corporation's cumulative total stockholder return in its Common Shares during the period from the Corporation's initial public offering through June 30, 2000 with the cumulative total return on the Nasdaq Stock Market and the Internet Software and Services Index. The comparison assumes $100.00 was invested on January 23, 1996 in the Corporation's Common Shares at the $15 initial public offering price and in each of the foregoing indices and assumes reinvestment of dividends, if any.



Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of June 30, 2000 regarding Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the following persons or companies: (i) each person or company known by the Company to be the beneficial owner of, or to exercise control or direction over, more than 5% of the outstanding Common Shares, (ii) each director and proposed director of the Company, (iii) each Named Executive Officer (as defined under "Executive Compensation and Other Transactions", below) of the Company and (iv) all directors and officers as a group. Except as otherwise indicated, the Company believes that the beneficial owners of the Common Shares listed below, based on the information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned, Controlled or Directed	Percent of Total Beneficially Owned, Controlled or Directed
Helix Investments (Canada) Inc.	3,397,271	16.79%
Thomson Horstmann & Bryant, Inc.(1)	1,120,050	5.54%
P Thomas Jenkins (2)	846,800	4.19%
Stephen J. Sadler (3)	347,000	1.72%
John Shackleton (4)	100,000	*
Richard C. Black (5)	49,000	*
Michael Slaunwhite (6)	25,000	*
Ken Olisa (7)	22,000	*
Anik Ganguly (8)	21,250	*
Randy Fowlie (9)	20,500	*
Paul J Stoyan (10)	10,500	*
Alan Hoverd (11)	6,250	*
Andrew Pery	-	
All executive officers and directors as a group (11 Persons)	1,448,300	7.16%

* Less than 1%

(1) As reported by Thomson Horstmann & Bryan, Inc. on its Schedule 13G filed with the Securities and Exchange Commission on January 14, 2000 with no amendments reported to date.

(2) Includes 720,800 Common Shares owned and options for 123,000 Common Shares which are vested and options for 3,000 Common Shares which will vest over the next 60 days.

(3) Includes 25,000 Common Shares owned and options for 322,000 Common Shares which are vested.

(4) Includes options for 100,000 Common Shares which are vested.

(5) Includes 2,000 Common Shares owned, options for 47,000 Common Shares which are vested.

(6) Includes 3,000 Common Shares owned, options for 22,000 Common Shares which are vested.

(7) Includes options for 22,000 Common Shares which are vested.

(8) Includes options for 21,250 Common Shares which are vested

(9) Includes options for 20,500 Common Shares which are vested.

(10) Includes 500 Common Shares owned, options for 10,000 Common Shares which are vested.

(11) Includes options for 6,250 Common Shares which will vest over the next 60 days.

Item 13. Certain Relationships and Related Transactions

A consulting arrangement exists between the Company and Stephen J. Sadler under which Mr. Sadler provides consulting services to the Company in addition to serving as a director of the Company. Mr. Sadler was granted options to purchase 300,000 Common all of which have vested. An additional grant of options to purchase 100,000 Common Shares was made on September 21, 1999, which vest over four years. Mr. Sadler will earn $2,000 per day for consulting services and payments based on completion of specific transactions as follows: (1) 1% of the first $10 million of an acquired company's revenue in the 12 months prior to acquisition by the Company up to $10 million in revenue and 0.5% of revenue thereafter and (2) 2.5% of the sale price of any of the Company's operations sold.

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: See Index to Exhibits beginning on page 91

b) Reports on Form 8-K.

A current report on Form 8-K dated July 26, 1999 was filed with the Securities and Exchange Commission to report under item 5, Other Events, the Company announced that it entered into an agreement with Microstar Software Ltd. to acquire all of its outstanding shares.

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

OPEN TEXT CORPORATION

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	(in thousands)
Balance of allowance for doubtful accounts as at June 30, 1997	$ 350
Bad debt expense for the year	102
Write-off/adjustments	1,183
Balance of allowance for doubtful accounts as at June 30, 1998	1,635
Bad debt expense (recovery) for the year	(79)
Write-off/adjustments	102
Balance of allowance for doubtful accounts as at June 30, 1999	1,658
Bad debt expense for the year	7,788
Write-off/adjustments	(8,413)
Balance of allowance for doubtful accounts as at June 30, 2000	$ 1,033

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: October 26, 2000

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 by the following persons in the capacities indicated below on the dates indicated.

Signature	Title	Date
/s/P Thomas Jenkins P Thomas Jenkins	Director and Chief Executive Officer (Principal Executive Officer)	October 26, 2000
/s/Alan Hoverd Alan Hoverd	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	October 26, 2000
Richard C Black	Director	October 26, 2000
/s/John Shackleton John Shackleton	President and Director	October 26, 2000
Stanley Stern	Director	October 26, 2000
/s/Randy Fowlie Randy Fowlie	Director	October 26, 2000
/s/Ken Olisa Ken Olisa	Director	October 26, 2000
Stephen J Sadler	Director	October 26, 2000
/s/Michael Slaunwhite Michael Slaunwhite	Director	October 26, 2000
/s/Paul J Stoyan Paul J Stoyan	Director	October 26, 2000

OPEN TEXT CORPORATION

Further Faster

Further Faster

Further Faster

Board of Directors

P. Thomas Jenkins
Open Text Corporation

John Shackleton
Open Text Corporation

Richard C. Black
Vice President,
Helix Investments (Canada) Inc.

Randy Fowlie
Chief Operating Officer and
Chief Financial Officer,
Inscriber Technology Corporation

Ken Olisa
Managing Director,
Interregnum Venture Marketing Ltd.

Stephen J. Sadler
Chairman & Chief Executive Officer,
Enghouse Systems Ltd.

Michael Slaunwhite
President, Manta Corporation

Paul Stoyan
Partner, Gardiner Roberts LLP

Executive Officers

P. Thomas Jenkins
Chief Executive Officer

John Shackleton
President

Alan Hoverd
Chief Financial Officer

Andrew Pery
Vice President, Global Marketing

Anik Ganguly
Executive Vice President,
Products

General Counsel

Gardiner Roberts LLP
Suite 3100, Scotia Plaza
40 King Street West
Toronto, ON Canada M5H 3Y2

Testa, Hurwitz & Thibeault LLP
High Street Tower
125 High Street
Boston, MA USA 02110

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
99 Bank Street, Suite 800
Ottawa, ON Canada K1P 1E4

Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, ON Canada M5J 2Y1

Common Stock

NASDAQ
National Market System
Ticker Symbol: OTEX

TSE
Toronto Stock Exchange
Ticker Symbol: OTC

Other financial and general information, including copies of our exhibits to our annual report on Form 10-K/A, is available without cost. Please write to:

Open Text Corporation
Corporate Headquarters, 185 Columbia St. West, Waterloo, Ontario Canada, N2L 5Z5

OPEN TEXT
CORPORATION

Further Faster™

www.opentext.com

Corporate Headquarters
185 Columbia St. West,
Waterloo, Ontario
Canada, N2L 5Z5
Phone: 519-888-7111
Fax: 519-888-0677

U.S.A. Headquarters
2201 South Waukegan Road,
Bannockburn, IL, USA 60015
Phone: 847-267-9330
Fax: 847-267-9332

Asia/Pacific Headquarters
138 Harris St., Pyrmont, Sydney
NSW, 2009, Australia
Phone: +61 2 9552 3334
Fax: +61 2 9552 3446

Europe Middle East Africa Headquarters
Webster House, 22 Wycombe End
Beaconsfield, Buckinghamshire
England, HP9 1NB
Phone: +44 1494 679700
Fax: +44 1494 679707