OPEN TEXT CORP
Form 10-Q
January 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2012.
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)

CANADA	98-0154400
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1
(Address of principal executive offices)
(519) 888-7111
(Registrant's telephone number, including area code)

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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if smaller reporting company) Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
At January 21, 2013, there were 58,570,575 outstanding Common Shares of the registrant.

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OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share data)

	December 31, 2012 (unaudited)	June 30, 2012
ASSETS		
Cash and cash equivalents	$367,258	$559,747
Accounts receivable trade, net of allowance for doubtful accounts of $6,031 as of December 31, 2012 and $5,655 as of June 30, 2012 (note 3)	168,073	163,664
Income taxes recoverable (note 13)	19,845	17,849
Prepaid expenses and other current assets	45,157	44,011
Deferred tax assets (note 13)	14,101	4,003
Total current assets	614,434	789,274
Property and equipment (note 4)	83,135	81,157
Goodwill (note 5)	1,212,657	1,040,234
Acquired intangible assets (note 6)	428,361	312,563
Deferred tax assets (note 13)	141,736	115,128
Other assets (note 7)	22,659	23,739
Deferred charges (note 8)	62,095	68,653
Long-term income taxes recoverable (note 13)	12,128	13,545
Total assets	$2,577,205	$2,444,293
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$177,979	$131,734
Current portion of long-term debt (note 10)	45,136	41,374
Deferred revenues	240,347	273,987
Income taxes payable (note 13)	13,037	27,806
Deferred tax liabilities (note 13)	1,203	1,612
Total current liabilities	477,702	476,513
Long-term liabilities:		
Accrued liabilities (note 9)	19,144	14,247
Deferred credits (note 8)	8,950	10,086
Pension liability (note 11)	25,042	22,074
Long-term debt (note 10)	536,250	555,000
Deferred revenues	12,218	12,653
Long-term income taxes payable (note 13)	151,888	147,623
Deferred tax liabilities (note 13)	75,672	26,705
Total long-term liabilities	829,164	788,388
Shareholders' equity:		
Share capital (note 12)		
58,570,575 and 58,358,990 Common Shares issued and outstanding at December 31, 2012 and June 30, 2012, respectively; Authorized Common Shares: unlimited	641,684	635,321
Additional paid-in capital	92,463	95,026
Accumulated other comprehensive income	42,661	44,364
Retained earnings	522,605	442,068
Treasury stock, at cost (610,878 and 793,494 shares at December 31, 2012 and at June 30, 2012, respectively)	(29,074)	(37,387)

Total shareholders’ equity	1,270,339	1,179,392
Total liabilities and shareholders’ equity	$2,577,205	$2,444,293
Guarantees and contingencies (note 18)		
Related party transactions (note 21)		

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of U.S. dollars, except share and per share data)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Revenues:				
License	$76,125	$89,703	$131,781	$154,731
Cloud services	46,151	—	91,035	—
Customer support	164,658	165,386	326,754	327,383
Professional service and other	65,246	66,367	128,804	127,388
Total revenues	352,180	321,456	678,374	609,502
Cost of revenues:				
License	5,331	5,370	9,499	9,368
Cloud services	18,261	—	36,544	—
Customer support	28,277	28,468	54,100	54,737
Professional service and other	47,664	50,604	96,246	100,955
Amortization of acquired technology-based intangible assets (note 6)	23,191	21,253	46,973	42,043
Total cost of revenues	122,724	105,695	243,362	207,103
Gross profit	229,456	215,761	435,012	402,399
Operating expenses:				
Research and development	38,718	42,652	78,624	86,110
Sales and marketing	67,977	68,451	132,492	133,331
General and administrative	30,005	25,126	58,138	50,887
Depreciation	6,105	5,634	12,214	10,892
Amortization of acquired customer-based intangible assets (note 6)	17,147	13,445	34,399	26,486
Special charges (note 16)	2,269	5,221	11,823	12,326
Total operating expenses	162,221	160,529	327,690	320,032
Income from operations	67,235	55,232	107,322	82,367
Other income (expense), net	1,541	2,637	1,470	11,949
Interest expense, net	(4,515)	(3,607)	(8,883)	(6,393)
Income before income taxes	64,261	54,262	99,909	87,923
Provision for income taxes (note 13)	3,153	6,819	19,372	5,494
Net income for the period	$61,108	$47,443	$80,537	$82,429
Earnings per share—basic (note 20)	$1.04	$0.82	$1.38	$1.43
Earnings per share—diluted (note 20)	$1.04	$0.81	$1.37	$1.41
Weighted average number of Common Shares outstanding—basic	58,503	57,846	58,473	57,642
Weighted average number of Common Shares outstanding—diluted	58,983	58,672	58,961	58,647

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Net income for the period	$61,108	$47,443	$80,537	$82,429
Other comprehensive income—net of tax:				
Net foreign currency translation adjustments	(989)	(1,354)	(1,465)	(11,972)
Net unrealized gain (loss) on cash flow hedges	(1,453)	3,132	491	(2,070)
Net actuarial gain (loss) relating to defined benefit pension plans	(620)	342	(729)	(206)
Total other comprehensive income (loss), net, for the period	$(3,062)	$2,120	$(1,703)	$(14,248)
Total comprehensive income	$58,046	$49,563	$78,834	$68,181

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(unaudited)

	Six Months Ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net income for the period	$80,537	$82,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	93,586	79,421
Share-based compensation expense	6,276	8,241
Excess tax benefits on share-based compensation expense	(611)	(495)
Pension expense	470	306
Amortization of debt issuance costs	1,072	578
Amortization of deferred charges and credits	5,858	5,379
Loss on sale and write down of property and equipment	24	203
Deferred taxes	(1,152)	(6,958)
Impairment and other non cash charges	—	1,345
Changes in operating assets and liabilities:		
Accounts receivable	20,406	(27)
Prepaid expenses and other current assets	1,384	8,041
Income taxes	(13,888)	2,883
Deferred charges and credits	(436)	(14,653)
Accounts payable and accrued liabilities	(20,620)	(16,799)
Deferred revenue	(36,738)	(57,806)
Other assets	289	(2,042)
Net cash provided by operating activities	136,457	90,046
Cash flows from investing activities:		
Additions of property and equipment	(9,917)	(16,687)
Purchase of patents	—	(193)
Purchase of System Solutions Australia Pty Limited, net of cash acquired	(516)	(1,524)
Purchase of Operitel Corporation, net of cash acquired	—	(6,260)
Purchase of Global 360 Holding Corp., net of cash acquired	—	(245,653)
Purchase of EasyLink Services International Corporation, net of cash acquired	(315,331)	—
Purchase consideration for prior period acquisitions	(431)	(609)
Net cash used in investing activities	(326,195)	(270,926)
Cash flows from financing activities:		
Excess tax benefits on share-based compensation expense	611	495
Proceeds from issuance of Common Shares	6,402	11,261
Purchase of Treasury Stock	—	—
Proceeds from long-term debt and revolver	—	648,500
Repayment of long-term debt and revolver	(15,338)	(333,856)
Debt issuance costs	—	(9,309)
Net cash provided by (used in) financing activities	(8,325)	317,091
Foreign exchange gain (loss) on cash held in foreign currencies	5,574	(6,440)
Increase (decrease) in cash and cash equivalents during the period	(192,489)	129,771
Cash and cash equivalents at beginning of the period	559,747	284,140
Cash and cash equivalents at end of the period	$367,258	$413,911

Supplementary cash flow disclosures (note 19)
See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended December 31, 2012
(Tabular amounts in thousands, except share and per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Open Text Corporation and our wholly-owned subsidiaries, collectively referred to as “OpenText” or the “Company”. All inter-company balances and transactions have been eliminated.

These condensed consolidated financial statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of EasyLink Services International Corporation (EasyLink), with effect from July 2, 2012 (see note 17).

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the condensed consolidated financial statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) testing of goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) the valuation of long-lived assets, (vi) the recognition of contingencies, (vii) restructuring accruals, (viii) acquisition accruals and pre-acquisition contingencies, (ix) asset retirement obligations, (x) the realization of investment tax credits, (xi) the valuation of stock options granted and liabilities related to share-based payments, including the valuation of our long-term incentive plan, (xii) the valuation of financial instruments, (xiii) the valuation of pension assets and obligations, and (xiv) accounting for income taxes.

Reclassifications

Cloud Services

Starting in the first quarter for the year ended June 30, 2013 (Fiscal 2013), in light of our acquisition of EasyLink on July 2, 2012, we adopted a policy to classify revenues and cost of revenues relating to "Cloud Services" as a separate line item within "Revenues" and "Cost of revenues", respectively, on the Condensed Consolidated Statements of Income. No prior period comparative figures have been adjusted to conform to current period presentation since such prior period amounts are not material. For a detailed explanation of the products that make up our Cloud Services offerings please see our “Management's Discussion and Analysis of Financial Condition and Results of Operations” included under Part I, Item 2 to this Quarterly Report on Form 10-Q.

Research and Development Tax Credits

Non-refundable research and development tax credits are now being reflected as a component of "Income tax" expense on the Condensed Consolidated Statements of Income. Certain prior period comparative figures have been adjusted on the Condensed Consolidated Balance Sheets to conform to current period presentation. As of June 30, 2012, long-term “Deferred tax assets” have been increased from previously reported amounts by approximately $34.9 million, with a corresponding decrease to “Long-term income taxes recoverable”. There was no change to total assets, liabilities, or shareholders' equity as a result of this reclassification. The prior period comparative figures on the Condensed Consolidated Statements of Income have not been adjusted as the amounts are not material.

NOTE 2—NEW ACCOUNTING PRONOUNCEMENTS AND ACCOUNTING POLICY UPDATES

Recently Adopted Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220)—Presentation of Comprehensive Income" (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity.

In December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income (AOCI) in Accounting Standards Update No. 2011-05" (ASU 2011-12), which indefinitely defers the requirement that companies present reclassification adjustments for each component of AOCI in both net income and other comprehensive income (OCI) on the face of the financial statements.
In the first quarter of Fiscal 2013, we adopted ASU 2011-05 and ASU 2011-12. Pursuant to the adoptions, we have presented a separate Condensed Consolidated Statement of Comprehensive Income. There were no other significant or material changes to our reporting as a result of these adoptions.

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2012	$5,655
Bad debt expense	2,268
Write-off /adjustments	(1,892)
Balance as of December 31, 2012	$6,031

NOTE 4—PROPERTY AND EQUIPMENT

	As of December 31, 2012		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$11,500	$5,935	$5,565
Office equipment	1,117	699	418
Computer hardware	55,094	37,858	17,236
Computer software	16,008	9,118	6,890
Leasehold improvements	29,312	16,202	13,110
Buildings	44,027	4,111	39,916
Total	$157,058	$73,923	$83,135

	As of June 30, 2012		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$10,828	$4,577	$6,251
Office equipment	975	596	379
Computer hardware	48,834	34,799	14,035
Computer software	13,558	7,404	6,154
Leasehold improvements	27,643	13,777	13,866
Buildings	44,034	3,562	40,472
Total	$145,872	$64,715	$81,157

NOTE 5—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2012:

Balance as of June 30, 2012	$1,040,234
Acquisition of EasyLink (note 17)	172,222
Adjustments on account of foreign exchange	201
Balance as of December 31, 2012	$1,212,657

NOTE 6—ACQUIRED INTANGIBLE ASSETS

	As of December 31, 2012		
	Cost	Accumulated Amortization	Net
Technology Assets	$543,508	$(356,490)	$187,018
Customer Assets	501,076	(259,733)	241,343
Total	$1,044,584	$(616,223)	$428,361

	As of June 30, 2012		
	Cost	Accumulated Amortization	Net
Technology Assets	$473,008	$(309,517)	$163,491
Customer Assets	374,396	(225,324)	149,072
Total	$847,404	$(534,841)	$312,563

The weighted average amortization period for acquired technology and customer intangible assets is approximately six years and seven years, respectively.

The following table shows the estimated future amortization expense for the fiscal years indicated below. This calculation assumes no future adjustments to acquired intangible assets:

	Fiscal years ending June 30,
2013 (six months ended June 30)	$80,088
2014	102,881
2015	79,183
2016	54,233
2017 and beyond	111,976
Total	$428,361

NOTE 7—OTHER ASSETS

	As of December 31, 2012	As of June 30, 2012
Debt issuance costs	$7,391	$8,463
Deposits and restricted cash	8,479	7,515
Long-term prepaid expenses and other long-term assets	6,789	7,761
Total	$22,659	$23,739

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our term loan and are being amortized over the term of the loan (see note 10). Deposits and restricted cash relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of contractual-based agreements. Long-term prepaid expenses and other long-term assets primarily relate to advance payments on long-term licenses that are being amortized over the applicable terms of the licenses.

NOTE 8—DEFERRED CHARGES AND CREDITS

Deferred charges and credits relate to cash taxes payable and the elimination of deferred tax balances relating to legal entity consolidations completed as part of an internal reorganization of our international subsidiaries. Deferred charges and credits are amortized to income tax expense over a period of six years.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of December 31, 2012	As of June 30, 2012
Accounts payable—trade	$3,477	$7,574
Accrued salaries and commissions	42,782	50,821
Accrued liabilities*	123,953	65,557
Amounts payable in respect of restructuring and other Special charges (note 16)	7,303	7,068
Asset retirement obligations	464	714
Total	$177,979	$131,734

Long-term accrued liabilities

	As of December 31, 2012	As of June 30, 2012
Amounts payable in respect of restructuring and other Special charges (note 16)	$2,924	$1,803
Other accrued liabilities	11,264	8,819
Asset retirement obligations	4,956	3,625
Total	$19,144	$14,247

* The increase in accrued liabilities was primarily due to the acquisition of legacy EasyLink obligations.

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. We have accounted for such obligations in accordance with ASC Topic 410 "Asset Retirement and Environmental Obligations" (ASC Topic 410). As of December 31, 2012, the present value of this obligation was $5.4 million (June 30, 2012—$4.3 million), with an undiscounted value of $5.8 million (June 30, 2012—$4.8 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of December 31, 2012	As of June 30, 2012
Long-term debt		
Term Loan	$570,000	$585,000
Mortgage	11,386	11,374
	581,386	596,374
Less:		
Current portion of long-term debt		
Term Loan	33,750	30,000
Mortgage	11,386	11,374
	45,136	41,374
Non current portion of long-term debt	$536,250	$555,000

Term Loan and Revolver

Our credit facility consists of a $600 million term loan facility (the Term Loan) and a $100 million committed revolving credit facility (the Revolver). Borrowings under the credit agreement are secured by a first charge over substantially all of our assets. We entered into and borrowed from this credit agreement on November 9, 2011.

The Term Loan has a five year term and repayments made under the Term Loan are equal to 1.25% of the original principal amount at each quarter for the first 2 years, 1.88% for years 3 and 4 and 2.5% for year 5. The Term Loan bears interest at a floating rate of LIBOR plus 2.50%. For the three and six months ended December 31, 2012, we recorded interest expense of approximately $4.1 million and $8.2 million, respectively, relating to the Term Loan (three and six months ended December 31, 2011—$2.5 million).

For the three and six months ended December 31, 2011, we recorded interest expense of approximately $0.9 million and $2.7 million, respectively, relating to our previously outstanding term loan.

The Revolver has a five year term with no fixed repayment date prior to the end of the term. As of December 31, 2012, we have not drawn any amounts on the Revolver.

Mortgage

We currently have an "open" mortgage with a bank where we can pay all or a portion of the mortgage on or before August 1, 2013. The original principal amount of the mortgage was Canadian $15.0 million and interest accrues monthly at a variable rate of Canadian prime plus 0.50%. Principal and interest are payable in monthly installments of Canadian $0.1 million with a final lump sum principal payment due on maturity. The mortgage is secured by a lien on our headquarters in Waterloo, Ontario, Canada. We first entered into this mortgage in December 2005.

As of December 31, 2012, the carrying value of the mortgage was $11.4 million (June 30, 2012—$11.4 million).

As of December 31, 2012, the carrying value of the Waterloo building that secures the mortgage was $16.1 million (June 30, 2012—$16.3 million).

For the three and six months ended December 31, 2012, we recorded interest expense of $0.1 million and $0.2 million, respectively, relating to the mortgage (three and six months ended December 31, 2011— $0.1 million and $0.2 million, respectively).

NOTE 11—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT) and Open Text Software GmbH (IXOS) as of December 31, 2012 and June 30, 2012:

	As of December 31, 2012		
	Total benefit obligation	Current portion of benefit obligation*	Non current portion of benefit obligation
CDT defined benefit plan	$24,446	$524	$23,922
CDT anniversary plan	466	85	381
CDT early retirement plan	—	—	—
IXOS defined benefit plans	739	—	739
Total	$25,651	$609	$25,042

	As of June 30, 2012		
	Total benefit obligation	Current portion of benefit obligation*	Non current portion of benefit obligation
CDT defined benefit plan	$21,461	$475	$20,986
CDT anniversary plan	457	67	390
CDT early retirement plan	69	69	—
IXOS defined benefit plans	698	—	698
Total	$22,685	$611	$22,074

* The current portion of the benefit obligation has been included within "Accounts payable and accrued liabilities" in the Condensed Consolidated Balance Sheets.

CDT Defined Benefit Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT pension plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.
The following are the details of the change in the benefit obligation for the CDT pension plan for the periods indicated:

	As of December 31, 2012	As of June 30, 2012
Benefit obligation as of June 30, 2012	$21,461	$18,231
Service cost	230	326
Interest cost	446	873
Benefits paid	(229)	(441)
Actuarial (gain) loss	876	5,179
Foreign exchange (gain) loss	1,662	(2,707)
Benefit obligation as of December 31, 2012	24,446	21,461
Less: Current portion	(524)	(475)
Non current portion of benefit obligation	$23,922	$20,986

The following are the details of net pension expense for the CDT pension plan for the periods indicated:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Pension expense:				
Service cost	$117	$81	$230	$166
Interest cost	226	217	446	444
Amortization of actuarial gains and losses	71	—	139	—
Net pension expense	$414	$298	$815	$610

The CDT pension plan is an unfunded plan and therefore no contributions have been made since the inception of the plan. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the market-related value of plan obligations are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. Currently there is approximately $0.1 million in accumulated other comprehensive income related to the CDT pension plan that is expected to be recognized as a component of net periodic benefit costs over the remaining fiscal year.
In determining the fair value of the CDT pension plan benefit obligations as of December 31, 2012 and June 30, 2012, respectively, we used the following weighted-average key assumptions:

	As of December 31, 2012	As of June 30, 2012
Assumptions:		
Salary increases	2.50%	2.50%
Pension increases	2.00%	2.00%
Discount rate	3.60%	4.00%
Employee fluctuation rate:		
to age 30	1.00%	1.00%
to age 35	0.50%	0.50%
to age 40	—%	—%
to age 45	0.50%	0.50%

to age 50	0.50 %	0.50 %
from age 51	1.00 %	1.00 %

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Anticipated pension payments under the CDT pension plan for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,
2013 (six months ended June 30)	$ 262
2014	562
2015	620
2016	690
2017	759
2018 to 2022	5,599
Total	$ 8,492

CDT Anniversary Plan

CDT's long-term employee benefit obligations arise under CDT's "anniversary plan". The obligation is unfunded and is carried at its fair value.

IXOS Defined Benefit Plans

Included in our pension liability, as of December 31, 2012, is a net amount of $0.7 million (June 30, 2012—$0.7 million) that relates to two IXOS defined benefit pensions plans (IXOS pension plans) in connection with certain former members of the IXOS Board of Directors and certain IXOS employees, respectively. The net periodic pension cost with respect to the IXOS pension plans is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and the expected return on plan assets.

NOTE 12—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Share Capital

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preference Shares. No Preference Shares have been issued.

Treasury Stock

During the three and six months ended December 31, 2012 and 2011, we did not repurchase any of our Common Shares for potential future reissuance under our Long Term Incentive Plans (LTIP) or otherwise.

On November 23, 2012, we issued 182,616 Common Shares from treasury stock in connection with the settlement of awards granted under our Fiscal 2012 LTIP (three and six months ended December 31, 2011—nil). See below for more details regarding this settlement.

Share-Based Payments

Total share-based compensation expense for the periods indicated below is detailed as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Stock options	$1,228	$974	$2,567	$1,772
Performance stock units (issued under LTIP)				