

UK watchdog launches investigation into Autonomy (Update)

February 11 2013

Britain's accounting watchdog announced Monday that it is investigating the books of British business software maker Autonomy Corporation in the period before it was bought by Hewlett-Packard Co. in 2011.

In a brief statement, the Financial Reporting Council said it had launched an investigation "into the published financial reporting of Autonomy for the period between 1 January 2009 and 30 June 2011."

The council has the power to impose fines and other sanctions.

HP bought Autonomy for \$10 billion in 2011, but later alleged it had been misled into paying a price 64 percent above the firm's market value. In November, HP took an \$8.8 billion write-down for the Autonomy acquisition, with more than \$5 billion of that due to alleged "accounting improprieties."

It was one of several lossmaking purchases for HP, which has struggled to reinvent itself as sales shrink for PCs and printers.

Among other things, Autonomy made search engines that help companies find vital information stored across computer networks. Acquiring it was part of an attempt by HP to strengthen its portfolio of high-value products and services for corporations and government agencies.

Former Autonomy CEO Mike Lynch has denied HP's allegations.

In a statement, a representative of Autonomy's former management said they welcomed the investigation.

"As a member of the FTSE 100, the accounts of Autonomy have previously been reviewed by the FRC, including during the period in question, and no actions or changes were recommended or required," it said.

"Autonomy received unqualified audit reports throughout its life as a public company. This includes the period in question, during which Autonomy was audited by Deloitte. We are fully confident in the financial reporting of the company and look forward to the opportunity to demonstrate this to the FRC."

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