EXHIBIT 18

Autonomy Corporation plc

Report to the Audit Committee on the Q1 2011 Review

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Introduction

We have pleasure in setting out in this document our report to the Audit Committee of Autonomy Corporation plc and its subsidiaries (together "the Group" or "Autonomy") on our review of the three months ended 31 March 2011 for discussion at the meeting scheduled for 19 April 2011. This report summarises the principal matters that have arisen from our review of the financial information within the Interim Management Statement for the three months ended 31 March 2011.

This introduction is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the entire report and the appendices thereto.

Key risks and other matters

We discuss within Section 1 the results of our review work in relation to key risks which are significant to the Q1 2011 results and press release.

In particular, we will focus at the Audit Committee meeting on:

- The appropriateness of revenue recognition;
- Licence sales in the quarter made through Value Added Resellers (Capax Global, Microtechnologies LLC and Discover Technologies LLC); and
- Trade receivables where there is significant exposure and therefore judgement as to collectability (Microtechnologies LLC, Red Ventures, Sales Consulting S.r.l, Auxilium, Comercializadora Cobal, AS Computadoras y Servicios and Integracion de Negocios). Limited cash has been received on these debts since year end and management should continue to focus their efforts on recovering these debts.

We discuss within Section 2 the results of our review work in relation to other matters which are relevant to the Q1 2011 results and press release.

In particular, we will focus at the Audit Committee meeting on:

- Strategic hardware sales;
- Mercedes sponsorship deal;
- Finalisation of the Microlink acquisition accounting; and
- FRRP letter and shareholder correspondence.

In addition, there are the following matters which we have identified as relevant to the Q1 2011 results and press release for which we have no matters to report to you:

- Capitalisation of research and development expenditure.

Review status

We have substantially completed our review. Certain procedures remain outstanding and need to be finalised before we can issue our review opinion:

- Completion of our internal review procedures;
- Completion of our review of the draft Microlink acquisition report;
- Review of your final Interim Management Statement;
- Receipt of all outstanding > $1 million revenue confirmations (currently ten outstanding – for full details see page four); and
- Receipt of management representation letter (See Appendix 2 for suggested draft).

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified review report.

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Introduction

Potential adjustments	We have used materiality of $5.5 million (Q1 2010: $5.0 million) for the quarterly Income Statement, based on profit before tax. We will also consider our 2010 year end materiality of $22.5 million when reviewing the Balance Sheet, in particular in relation to the impact of our prior year uncorrected misstatements. Known adjustments for Q1 2011 reduce profit before tax by $1.8 million, new assets by $5.2 million and prior year retained earnings by $1.6 million. In addition, judegemental adjustments would increase profit before tax by $0.6 million, decrease net assets by $7.5 million and prior year retained earnings by $8.1 million. Total adjustments would decrease profit after tax by $0.9 million, net assets by $9.3 million and prior year retained earnings by $6.6 million. Details of our potential adjustments are included in Appendix 1. The impact on the prior year retained earnings is a function of the 2010 year end audit adjustments on the 31 March 2011 balance sheet. Management has concluded that the total impact of the uncorrected misstatements, both individually and in aggregate, is not material in the context of the financial statements taken as a whole, and we concur with their view.
Accounting policies and financial reporting	As part of our review, we consider the quality and acceptability of the Group's accounting policies and financial reporting and their consistency with the 2010 annual report. We note that the Quarterly Report for Q1 has been prepared using the same accounting policies as adopted for the 2010 year end, and that it complies with the recognition and measurement criteria of IFRS.
Accounting and internal control systems	As part of our review we have made enquiries of management regarding the control environment and the reliability of the management reporting process. We have been advised that there have been no significant changes to the control environment since the year-end and therefore we have not carried out any detailed testing of internal controls.
Independence	In our professional judgement we are independent within the meaning of APB Ethical Standards for Auditors and the objectivity of the audit engagement partner and audit staff is not impaired.

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1. Key risks

The results of our work on key risks are set out below:

Revenue Recognition	
Revenue continues to be appropriately recognised in accordance with IFRS	Revenues for the quarter were $219.8 million (Q1 2010: $194.2 million). Management continues to apply a consistent policy to recognising revenues which includes ensuring revenue is being recognised in the appropriate period, assessing the probability of recoverability, evaluating any ongoing managerial involvement and discharging obligations thereby ensuring that all of the provisions of International Accounting Standard 18, *Revenue* ("IAS 18") have been satisfied. The most significant licence revenues recognised in Q1 2011 on sales direct to end users were with KPMG ($10.8 million), Deutsche Bank ($7.1 million), Hewlett Packard ($6.4 million), Tottenham Hotspur ($6.4 million) and Morgan Stanley ($5.0 million). **KPMG** This is a $10.8 million licence deal for extended rights allowing additional users, administrative interface and language packages of the software including Autonomy Express Search, Worksite, TeamSite, LiveSite and OpenDeploy for the use by KPMG. Support and maintenance has been carved out at 5% under the terms of the licence and deferred. **Deutsche Bank** This is an amendment to their existing Digital Safe licence to extend the term out to March 2016 for a license fee of $7.1 million. Extended storage rates were also renegotiated to $0.0045 /MB/Year. The deal includes the addition of an "Archiving Credit" of $1.2 million to incentivise increased volumes. If sufficient volumes are hosted to allow the credit to be taken, this will bring the effective per MB rate down to the established fair value VSOE rate. Hosting revenues at this renegotiated rate will commence from Q2 when management will need to assess the need for the recording of a provision against that revenue, in relation to the "Archiving Credit". Support and maintenance is carved out at 5% under the terms of the licence and deferred. **Hewlett Packard** This is a $6.4 million 5 year term licence deal for a suite of Autonomy software including IDOL and LiveSite Servers, TeamSite, OpenDeploy, Qfiniti, Virage Video Surveillance and Introspect EDD and Autonomy ECA for use by Hewlett Packard, a global IT supplier. Support and maintenance has been carved out at 5% under the terms of the licence and deferred. **Tottenham Hotspur** This is a $6.4m perpetual licence deal for Autonomy software including IDOL server for Social Media, Interwoven WCM suite (TeamSite/LiveSite) and Autonomy Archiving/E Discovery Solution (including Introspect). There is an option for Tottenham to onsell to another user if desired. Support and maintenance is carved out at 5% under the terms of the licence and deferred. **Morgan Stanley** This is a $5 million licence deal for extended rights allowing additional capacity of the software including Digital Safe, DS Mail, Autonomy Consolidated Archive (ACA), Autonomy Social Media Connect, Audit Centre, Live Capture Agent, Supervisor(S6), Autonomy Investigator and Early Case Assessment (ECA) for the use by Morgan Stanley. The license also specified the Digital Safe storage fee for 2013 and beyond. Support and maintenance has been carved out at 5% under the terms of the licence and deferred. In addition to us receiving third party confirmations, management has confirmed that no revenue deals contained side letters or ongoing Autonomy performance requirements that were separate from the signed sales contracts.

1. Key risks

Revenue Recognition (continued)	
Deloitte response	**Application of IFRS and review work performed** Our review of revenue contracts was designed to select large contracts, those containing non-standard terms, as well as a sample of other contracts. Our review work noted that revenue recognition continues to be consistently applied in comparison with previous periods and in accordance with Group accounting policies and IFRS. For all deals over $1 million we issued revenue confirmation requests direct to the customer. To date we have had responses from the majority of customers with the exception of KPMG, Allstate, Symantec, Electrabel, Discover Technologies LLC, Zenith Gulf Security Systems, Tottenham Hotspur, Capax Global, Microtechnologies LLC and Johnson & Johnson. Management is working with these customers to ensure the timely receipt of the outstanding confirmations. For each contract selected, we examined the terms and conditions of the contract to ensure that no unusual circumstances existed which might impact the recognition of revenue. We ensured that amounts recognised could reasonably be expected to be recoverable by inspecting payment history or credit checks where relevant. Furthermore, where ongoing managerial involvement is necessary, the carve out rate for revenues deferred were recalculated to ensure they were in line with Autonomy's standard carve out rates for support and maintenance and support services, where relevant. We note that in this quarter there has been an increased number of deals with payment terms in excess of twelve months. The only extent to which this can have an impact on the revenue recognised is through the need to discount the future cash flows associated with the licence sale, to reflect the fair value at the point of sale. This will then serve to reduce the value of the upfront licence fee recognised. We have considered this as part of our revenue work and conclude that the impact of discounting the future cash flows on over $1 million deals this quarter, where payment terms are in excess of twelve months, is not material. An adjustment reducing revenue by $0.2 million is included at Appendix 1 in relation to this. We concur with management's treatment of the above deals.

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1. Key risks

Sales to Value Added Resellers	
Sales to the three largest Value Added Resellers contributed revenue of $23.5 million in the quarter	In the first quarter there have been six licence deals in excess of $1 million sold through the three largest Value Added Resellers ("VAR"), which in aggregate account for revenues of $23.5 million. The revenues were recognised between these resellers as follows: Capax Global ($13.0 million); Microtechnologies LLC ("Microtech") ($5.1 million); and Discover Technologies LLC ("Discover Tech") ($5.4 million). At 31 March 2011, total amounts due from these resellers (including sales to them for their own use) was $54.7 million (31 December 2010: $41.4 million), which accounts for 21% of the Group trade receivables balance. Of the total amount outstanding at 31 March 2011, $13.5 million was overdue; $6.7 million of that balance relates to the amount due from Microtech on the sale to the Vatican (see page 6 for further details). Cash from these customers received in the quarter was $19.3 million. Throughout Autonomoy's history, many deals have been sold through VARs. In particular in the US, VARs which have 8A status are highly prized by purchasing companies as they need to source a certain proportion of their purchases from 8A accredited suppliers to be able to sell to the US military. Three resellers with 8A status are Capax, Microtech and Discover Tech. Since 2009, over $100 million of sales have been recognised to these resellers. For example, last quarter, the large Bank of America deal went through these 8A resellers. Management continues to monitor the Group's exposure to these resellers and assesses the likelihood of collectability when considering the appropriateness of revenue recognition on sales to these resellers. We note that a licence previously sold to Capax Global in Q3 2010 for onsale to Amgen ($9.5 million), has been re-assigned in the quarter to enable a sale by Capax Global to Bank of America, as part of the large Q4 2010 revenue deal previously reported to the Audit Committee. No revenue has been recognised on the re-assignment of this licence and the outstanding receivable has been received during the quarter.
Deloitte response	Management should continue to monitor the amounts due from these resellers to ensure that payments continue to be made in line with their payment terms. In particular, management should continue to assess the appropriateness of recognising revenue on sales made to Microtech on the grounds of collectability, given the size of the outstanding balance ($20.5 million). We understand that management is working with Microtech and expect to receive a payment of $3.0 million imminently. On the basis of management's representation to us (included at Appendix 2) we can accept management's judgement around the recognition of revenue on sales to Microtech, and to the Value Added Resellers as a whole.

1. Key risks

Provision for doubtful debts

DSOs have increased and are above the target range. This is driven by increase in aged debt and level of extended payment terms

The net accounts receivable balance at 31 March 2011 is $263.2 million (31 December 2010: $267.7 million). The bad debt provision at 31 March 2011 stands at $30.7 million (31 December 2010: $29.3 million). The bad debt charge for the quarter was $2.3 million, which is down slightly from $2.7 million in Q1 2010 and $3.3 million in Q4 2010.

Cash collection in Q1 2011 has been $228.2 million, which has increased from $193.8 million in Q4 2010. This compares to revenue in Q4 2010 of $244.5 million, meaning cash collection has been 93% of the prior quarter's revenue. This has been impacted by certain Q4 2010 revenue deals where payments that fell due in Q1 2011 were not received by 31 March 2011. Cash received in the quarter from the non-recourse sale of receivables was $20.0 million (Q4 2010: $12.3 million).

DSOs have increased from 94 days in Q4 2010 to 102 in Q1 2011. This has been driven by a combination of an increase in overdue debts and the granting of a number of licence sales with extended payment terms in excess of 90 days as a result of challenging market conditions. This DSO trend is likely to continue to increase until overdue amounts are recovered, or provided for, and payment terms offered return to normal levels, i.e. ranging between 30 – 90 days.

Management continues to apply a detailed approach to credit control with increased scrutiny around each quarter end over potential exposure and the need to make a provision.

Microtechnologies LLC ("Microtech")

We reported in Q4 2010 that $7.0 million remained outstanding from Microtech relating to the $11.0 million licence deal where the end user is the Vatican. During the quarter no further amount has been received from Microtech. We understand that Microtech has yet to receive the amounts due from the Vatican and as such is delaying payment to Autonomy. Management is currently working with Microtech to receive payment of $3.0 million imminently and is confident that payment will be received on the remaining amount in due course given their knowledge of the deal with the end user and its ongoing involvement with Microtech on other deals.

Italian value added resellers

The net exposure on large contracts overdue from Italy is $6.0 million (31 December 2010: $7.0 million). No cash has been received during the quarter. The only movement is a result of the addition of a $1.5 million provision and an increase of $0.5 million due to foreign exchange movements. The principal amounts outstanding are Sales Consulting S.r.l. ($1.9 million net owing from 2009 sales), Red Ventures ($2.9 million owing from a sale completed in Q3 2010) and Auxilium ($1.2 million owing from a sale completed in Q3 2010). Management is continuing to push for payment on these overdue amounts and considers the current level of provision to be adequate.

Latin American debts

The net exposure on large contracts outstanding from this territory is $6.6 million (31 December 2010: $7.0 million). The principal amounts outstanding are Comercializadora Cobal ($2.7 million owing from sales completed in Q3 and Q4 2010), AS Computadoras y Servicios ($1.1 million owing from a sale completed in Q4 2009) and Integracion de Negocios ($2.5 million owing from sales completed between Q2 2008 and Q1 2010). The movement in the quarter is a result of a $0.3 million provision and the receipt of $0.1 million from Integracion de Negocios.

Management has now agreed terms with Telematica Lefic for the payment of $0.6 million to be made in Q2 2011. There is only $0.3 million of exposure on this customer at 31 March 2011 therefore this receipt will result in a net $0.3 million credit against the provision currently in place and is evidence that management continues to work with these long overdue customers to receive payment.

Management is continuing to push for payment on these overdue amounts.

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1. Key risks

Provision for doubtful debts (continued)

Novartis

In Q2 2010 management became aware that Novartis had breached the terms of their licence agreement by distributing Autonomy software to a greater number of users than permitted. Following a series of discussions with Novartis during Q3 2010, management raised an invoice to Novartis for $2.5 million, and recognised revenue of this amount, representing the contractual amount due for the breach based on information supplied by Novartis. We understand that discussions with Novartis are ongoing but to date no monies have been received against this invoice, which was due for payment on 30 October 2010. Management has not provided against this amount as they are confident that payment will be received in due course.

Deloitte response

We have reviewed customer correspondence, payment histories and cash collections which support the conclusions reached by management.

Italian value added resellers

Since reporting to you at year end our proposed adjustments for amounts outstanding from Sales Consulting S.r.l., Red Ventures and Auxilium, we note that there has been no further cash received against any of these amounts. Management has confirmed that it is still actively chasing these debts but given the limited persuasive evidence of probable cash collection, and the increase in the time elapsed since the amounts fell due, we remain of the view that these amounts should have been provided against in the 2010 financial year.

Currently our proposed adjustments against amounts owing from Auxilium and Red Ventures remain as judgemental misstatements given that management continues to chase the amounts due and they have been overdue for less than one year. If no further amounts are received from Auxilium, and no provision is booked by management, before we report to you on the Q2 2011 review, then given a lack of persuasive evidence of probable cash collection and the fact that the amount outstanding will have been overdue for more than one year, we will then consider it to be a known misstatement.

Latin American debts

Since reporting to you at year end our proposed adjustments for amounts outstanding from AS Computadores y Servicios and Commercializadora Cobal, we note that there has been no further cash received against either of these amounts. We therefore remain of the view that these amounts should have been provided against in the 2010 financial year. We continue to consider these to be judgemental adjustments given the time elapsed since they fell due and the fact that management is continuing to actively chase for payment.

If no further amounts are received from AS Computadores y Servicios, and no provision is booked by management, before we report to you on the Q2 2011 review, then given a lack of persuasive evidence of probable cash collection and the fact that the amount outstanding will have been overdue for more than one year, we will then consider it to be a known misstatement.

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1. Key risks

Provision for doubtful debts (continued)	
Deloitte response (continued)	**Latin American debts (continued)** The average period for which amounts due from Integracion de Negocios have been overdue is 526 days. Given the lack of progress made on recovering amounts due from this customer in recent quarters (no cash received in Q4 2010 and $0.1 million received in Q1 2011) and the fact that a payment plan being negotiated at year end has not yet been finalised, we consider that there is not sufficient persuasive evidence of probable cash collection to support the recoverability of this amount. We have therefore proposed a known adjustment in the Q1 results in respect of the Integraction de Negocios overdue debtor ($2.5 million). This is a known adjustment on the basis that the amounts outstanding are overdue by more than one year. **Novartis** Based on the legal correspondence we have reviewed to date, and discussions held with the Group COO, we understand that management is scheduled to meet with Novartis in early May to resolve this matter and that payment is expected to be forthcoming following that meeting. We therefore concur with management's decision not to provide for this amount. In addition to the individually significant amounts outlined above, we note that there is approximately $4.6 million in aggregate of smaller debts which are more than 180 days overdue (31 December 2010: $5.8 million). We encourage continued strong management focus on these debts in Q2 2011. **Conclusion** The provisioning of doubtful debts is clearly a highly judgemental area and management approaches the process in a diligent manner. Historically Autonomy has had slow paying customers, and has had a good track record of being paid, and a relatively low bad debt history. However, as previously reported to you in Q4 2010, our work has led us to believe that a larger provision would be prudent. In addition to the adjustments noted above, we note that the ageing of debt has continued to deteriorate and this has started to impact the level of DSOs reported by the Group. We accept that the magnitude of any additional provision, as indicated by our potential adjustments, would not be material to the balance sheet taken as a whole. Management should clearly outline the reasons for the deterioration in the DSOs in its Q1 Interim Management Statement.

2. Other matters

Strategic hardware sales	
Background	Included in revenues for the quarter is $20.4 million of hardware sales (Q1 2010: $12.2 million, Q4 2010: $29.0 million). This represents approximately 9% of the Group's revenues for Q1 2011. The most significant hardware revenues recognised in Q1 2011 were with SHI International ($12.3 million), Amulet Hotkey ($4.0 million) and Bank of New York Mellon ($3.4 million). Consistent with the hardware sales discussed in previous quarters' reports to the Audit Committee, these strategic sales to major purchasers of software (now and in the future) have been made at a small loss. Management has taken all of the costs associated with these hardware sales to cost of sales with the exception of the loss of approximately $2.0 million, which has been allocated to sales and marketing expenses on the basis that these sales are only made at a loss in order to procure further, profitable software sales. As discussed and agreed at the year end audit committee meeting, no adjustment has been made to impute a normal level of profit on such sales. Management has further extended its analysis determining the strong linkage between the loss making hardware sales and subsequent highly profitable software sales which indicates that for $176.1 million of hardware sales made over the course of 2009, 2010 and Q1 2011 (at a total loss of approximately $31.0 million), approximately $106.0 million of major software deals have taken place with these customers over the same period and $32.3 million of hosted revenues have been generated for which there is a recurring revenue stream. All of these subsequent amounts have been transacted at Autonomy's normal high gross profit margin above 90%.
Deloitte response	We have reviewed management's analysis of the linkage between the loss making strategic hardware sales and subsequent profit making software sales and given the scale and consistency in allocation with the prior quarters, accept the decision taken by management to allocate the loss of $2.0 million to sales and marketing expense in Q1.

Mercedes sponsorship deal	
Background	As first reported in Q2 2010 the costs of the Mercedes sponsorship are being spread evenly over the two years of the agreement. Management is satisfied that the benefits accrue evenly over the two year period and therefore believes its accounting to be appropriate.
Deloitte response	In our view the higher costs of sponsorship in year one should be spread across the first year, resulting in a slightly higher charge in 2010 and a lower charge in 2011. We have proposed a judgemental adjustment to increase profit by $0.8 million at Appendix 1.

Finalisation of the Microlink acquisition accounting	
Background	As reported to you in Q1 2010, Microlink was acquired in January 2010 for a purchase consideration of $56.9 million. Under IFRS 3 (revised 2008) there is a twelve month period after a business combination within which you are required to make any adjustments to the provisional fair values and goodwill balance. Management is in the process of finalising the acquisition accounting entries and has engaged McLean LLC to provide a final valuation report for this purpose. Based on the results of the draft report, the acquired intangibles have been fair valued at $9.7 million, which is $2.3 million lower than management's provisional acquisition accounting. This will result in an increase to the goodwill balance in the quarter.
Deloitte response	We have reviewed the draft valuation report and are in the process of discussing a number of queries with McLean LLC. We will update you on the progress of this work at the audit committee meeting.

2. Other matters

FRRP letter and shareholder correspondence	
Background	During the quarter management received a letter from the Financial Reporting Review Panel ("FRRP"), which outlined the matters raised by Brent Hogenson in his e-mails to management and the Audit Committee in June/July 2010. The background to the questions raised and our subsequent report to management was included in our Q2 2010 Audit Committee paper.
Deloitte response	We reviewed management's draft response to the FRRP and provided comments for consideration. We understand that management is currently awaiting a response from the FRRP on the explanations provided. We will report to the Audit Committee on the outcome of the FRRP letter once fully concluded. In addition to the above, we have received letters from two investors (Hermes Fund Managers and Artemis Investment Management) raising concerns about certain accounting matters (e.g. segmental reporting and the carrying value of goodwill). As you may be aware, as statutory auditors, we are unable to provide information to individual shareholders. We have therefore responded to both investors referring them to our audit report in the 2010 Annual Report. In addition, we have discussed the issues raised with management and are satisfied with its responses.

3. Taxation

Effective tax rate ("ETR")

The 2011 ETR is increased to 27% due to the one-off factors in 2010, such as the recognition of US tax losses, not being repeated

	2010	2011
UK corporation tax rate	28.0%	26.5%
Tax effect of non-deductible expenses	0.4%	0.4%
Tax effect of non-taxable income	(1.2%)	(1.1%)
Research and Development tax credits	(1.2%)	(1.2%)
Recognition of tax losses (s382 study)	(5.8%)	-
Other differences (including tax provision)	1.3%	0.2%
Effect of overseas tax rates	1.5%	2.2%
Effective tax rate for the year	23.0%	27.0%

The key drivers which impact the current year ETR have been reviewed and discussed with management. These are broadly as expected with the additional reduction in the main rate of UK corporation tax from 1 April 2011 to 26.0% announced in this year's budget.

Deloitte response

The ETR per management's tax workings is 27.0% (2009: 23.0%). The principal movements in the effective tax rate from last year are set out above. We would draw your attention to the following key points:

- The benefit of the US financing structure and the UK deduction for R&D are expected to be consistent with last year;
- All available acquired tax losses in the US have now been recognised and no further net Income Statement impact is anticipated;
- The effect of overseas tax rates has increased due to the increased difference between the UK and US corporation tax rates. This is partially offset by an increase in the amount of profit arising in the UK from the transfer pricing policy.

These movements are consistent with our expectations and our review of the tax workings.

3. Taxation

Tax Provision for US Transfer Pricing	
The tax provision at 31 December 2010 remains at $7.2m in respect of potential future US enquiries into the group's transfer pricing	The work to support the group's transfer pricing arrangements in line with US documentation requirements is substantially complete and provides documentary support for the transfer pricing policy apportioning profits between the US and UK for the years 2007-2009. The brought forward tax provision, as at 31 December 2010, is $7.2m in respect of potential historical transfer pricing exposures, comprising: • $2.4m in respect of the adoption of the transfer pricing process in 2007; • $4.8m based on a sensitivity analysis using an increase in US taxable profits of approximately 15% for the 2008-2010 years.
Deloitte response	Whilst the work done in the second half of 2010 on the transfer pricing documentation supports the overall levels of US profitability, the tax provision established does not appear unreasonable as a prudent measure in respect of a potential US tax authority enquiry into the group's transfer pricing. Management should continue to provide for the potential exposure on a consistent basis until it is appropriate to begin releasing the provision for older years or following an enquiry by the IRS. We understand from management that this exercise will be finalised as part of the Q2 close process.

Future US tax profile	
All US tax losses and all unrestricted losses are expected to have been utilised by the end of 2011	All available US losses were recognised during 2010 and during 2011 it is expected that all available unrestricted US losses will be used against taxable profit. The group is therefore likely to have a significant amount of US tax payable for 2011. This is likely to lead to a higher profile with the US state and federal tax authorities and increase the importance of managing the group's US tax position.
Deloitte response	We note that management has successfully addressed the most significant US tax issues previously identified, specifically the S382 report and the US transfer pricing documentation, and is aware of the continuing importance of managing its tax position. The appointment of an in-house tax manager to oversee the group's US and UK tax position and manage the relationships with the group's advisers and tax authorities has been previously discussed with management and it remains committed to recruiting an appropriate person within the UK to support its tax function. This will become of increasing importance during this financial year as the group will need to demonstrate compliance with the Senior Accounting Officer ("SAO") provisions. We understand that this is still being considered. Management has continued to improve the tax schedules used to calculate the provision and we would recommend that this process continues, particularly as regards the US tax position, given the expected increase in US tax payable this year.

4. Responsibility statement

This report has been prepared for the Board of Directors in that capacity and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP
Chartered Accountants
Cambridge
18 April 2011

Appendix 1: Potential adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified during the course of our review:

	Page	Year/ quarter	Credit/ (charge) to current quarter income statement $'m	Credit/ (charge) to previous years' income statements $'m	Increase/ (decrease) in net assets $'m
Provision against recoverability of Integracion de Negocios	8	Q1	(2.5)	-	(2.5)
Carve out of professional services on Johnson & Johnson revenue deal		Q1	(0.4)	-	(0.4)
Adjustment to recognise costs incurred in the aborted Dynamo acquisition		Q1	(0.4)	-	(0.4)
Discounting revenue for payment terms > 1 year		Q1	(0.2)	-	(0.2)
Correction to FX movement on payment of Morgan Stanley invoice		Q1	0.6	(0.6)	-
Accrual for bonuses proposed for the CFO and CEO		Q1	0.5	(0.5)	-
IFRS 2 charge correction for revised model opening position*		2010	-	1.8	-
Provision against recoverability of Sales Consulting Srl		2009	0.6	(2.3)	(1.7)
Total known misstatements (pre-tax)			**(1.8)**	**(1.6)**	**(5.2)**
Tax effect (27% - excluding IFRS 2 adj.)			0.5	0.9	1.4
Total known misstatements (post-tax)			**(1.3)**	**(0.7)**	**(3.8)**
Provision against recoverability of Knowledge Capital Corporation		Q1	(1.1)	-	(1.1)
Adjustment to Mercedes sponsorship costs	9	Q1	0.8	(1.0)	(0.2)
Carve out hosting revenues on Johnson & Johnson revenue deal		Q1	(0.3)	-	(0.3)
Provision against recoverability of AS Computadoras		2010	0.3	(1.4)	(1.1)
Provision against Red Ventures Srl licence deal		2010	-	(2.7)	(2.7)
Reversal of revenue on Auxilium		2010	0.9	(2.0)	(1.1)
Provision against recoverability of Comercializadora Cobal		2010	-	(2.7)	(2.7)
Correction for revised approach to R&D Capitalisation		2010	-	1.7	1.7
Total judgemental misstatements			**0.6**	**(8.1)**	**(7.5)**
Tax effect (27%)			(0.2)	2.2	2.0
Total judgemental misstatements (post-tax)			**0.4**	**(5.9)**	**(5.5)**
Total misstatements (pre-tax)			**(1.2)**	**(9.7)**	**(12.7)**
Total misstatements (post-tax)			**(0.9)**	**(6.6)**	**(9.3)**

Appendix 1: Potential adjustments (continued)

*Note that the prior year adjustment to the IFRS 2 reserve is a reclassification between retained earnings and share based compensation reserve; as such, it does not impact net assets.

We identified balance sheet reclassifications which reduce deferred revenue by $8.1 million and reduce accounts receivable and other receivables by $6.8 million and $1.3 million, respectively.

We will obtain written representations from the Board of Directors confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the consolidated financial statements taken as a whole, no adjustments are required.

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Appendix 2: Draft management representation letter

(Autonomy Letterhead)

Address

Our Ref: NJM/LPW ***Date:[ ]***

Dear Sirs

Review of interim financial information of Autonomy Corporation plc

This representation letter is provided in connection with your review of the balance sheet of Autonomy Corporation plc as of 31 March 2011 and the related statements of income, changes in equity and cash flows for the three month period then ended and a summary of the significant accounting policies and other explanatory notes for the purposes of expressing a conclusion whether anything has come to your attention that causes you to believe that the interim financial information does not give a true and fair view of the financial position of Autonomy Corporation plc as at 31 March 2011, and of its financial performance and its cash flows in accordance with the recognition and measurement criteria of IFRSs as adopted for use in the European Union and the basis set out in note 1 to the quarterly press release. We acknowledge our responsibility for the fair presentation of the interim financial information in accordance with the recognition and measurement criteria of IFRSs as adopted for use in the European Union and the basis set out in note 1 to the quarterly press release.

We confirm, to the best of our knowledge and belief, the following representations.

<u>**General representations**</u>

1. The interim financial information referred to above has been prepared and presented in accordance with the recognition and measurement criteria of IFRSs as adopted for use in the European Union and the basis set out in note 1 to the quarterly press release.
2. We have made available to you all books of account and supporting documentation, and all minutes of meetings of shareholders and the board of directors.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information.
4. There has been no known actual or possible noncompliance with laws and regulations whose effects required consideration when preparing the interim financial information or that could have a material effect on the interim financial information in the event of noncompliance.
5. We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error.
6. We have disclosed to you all significant facts relating to any known frauds or suspected frauds that may have affected the entity.
7. We have disclosed to you the results of our assessment of the risk that the interim financial information may be materially misstated as the result of fraud.
8. We believe the effects of uncorrected misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole. A summary of such items is attached at Appendix 1.
9. We confirm the completeness of the information provided to you regarding the identification of related parties.
10. We confirm that the interim financial information has been prepared on the going concern basis. We do not intend to liquidate the company or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the interim financial information, including our plans for future actions.

Appendix 2: Draft management representation letter

11. Where relevant, the assumptions used in the presentation and measurement of fair values reflect our intent and ability to carry specific courses of action on behalf of the entity.

12. The entity has satisfactory title to all assets and there are no liens or encumbrances on the entity's assets.

13. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

14. No events have occurred subsequent to the balance sheet date and through the date of this letter that may require adjustment to or disclosure in the aforementioned interim financial information.

Specific representations

Revenue recognition

15. We confirm that based on our experience and judgement five per cent continues to represent the fair value of the maintenance and support services provided on greater than $1 million licence deals, unless a higher percentage is stated in the signed agreement. We have therefore used a five percent "carve out" rate for such larger sales, unless otherwise stated in the agreement.

16. No revenue deals contained side letters of ongoing Autonomy performance requirements that were separate from the signed sales contracts.

Recoverability of trade receivables

17. We have assessed the recoverability of the amount due from Novartis and in respect of the Italian and South American debtors noted in your report to the Audit Committee dated 18 April 2011, and are satisfied that the amounts are recoverable in full and that no provision is required at this stage.

18. In respect of the amount due from Microtechnologies LLC we confirm that following discussions with this customer we expect to receive a payment of $3.0 million imminently. We are satisfied that it is appropriate to recognise revenue from this customer in the quarter and in addition we are satisfied that the remaining outstanding amount is recoverable in full and that no provision is required at this stage.

Classification of costs

19. The directors confirm that the allocation of associated costs in respect of strategic hardware sold between "cost of goods sold" and "sales and marketing expense" appropriately reflect the nature of these costs.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

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Director

For & on behalf of Autonomy Corporation plc

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