

Registered number: 07621282

**Splunk Services UK Limited**  
**Annual report and financial statements**  
**For the year ended 31 January 2022**

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**Splunk Services UK Limited**

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**Company Information**

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<b>Directors</b>	T Emanuelson M A B Fann J A R Hodge (appointed 24 March 2022) G H Morrison (appointed 24 March 2022)
<b>Registered number</b>	07621282
<b>Registered office</b>	2 New Bailey 6 Stanley Street Salford Greater Manchester M3 5GS
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ

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**Splunk Services UK Limited**

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## **Splunk Services UK Limited**

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### **Strategic report For the year ended 31 January 2022**

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The directors present their strategic report together with the audited financial statements for the year ended 31 January 2022.

#### **Principal activities**

Splunk Services UK Limited (the "Company" or "Splunk UK") is domiciled in the UK and is a wholly owned indirect subsidiary of Splunk Inc. (the "Parent Company" or "Splunk US"), a company incorporated in Delaware, USA and domiciled in the US.

Splunk Inc. provides innovative software and cloud solutions that deliver and operationalize insights from the data generated by digital systems. Data is produced by nearly every software application and electronic device across an organization and contains a real-time record of various activities, such as business transactions, customer and user behavior, and security threats. This data is growing significantly as a direct result of the prevalence and importance of digital systems used by today's organizations. Splunk's solutions help users remove barriers between insights derived from this data and actions organizations take to thrive in an era of unprecedented digital transformation. The Company acts as a non-exclusive distributor of Splunk products and services in the EMEA territory. The Company also provides research and development services to the Parent Company.

#### **Business review**

Revenue for the Company in the year totaled \$449,264,075 with a profit before tax for the financial year of \$4,767,097 whereas, in the previous year, revenue totaled \$352,126,020 with a profit before tax for the financial year of \$414,571.

#### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The Company is a limited risk distributor. Key business risks and uncertainties affecting the Company relate to market conditions and sales execution.

The Company is subject to oversight by the Parent Company. The group complies with Sarbanes Oxley. Risks and uncertainties are:

##### *Market Risks*

Market risk is the risk Splunk products and services do not sell as expected. Market risk stems from many factors including brand, product performance, customer demand, pricing, reputation, sales team performance, competition and economic conditions. Entities performing sales support services in the EMEA region are reimbursed by Splunk UK, which bears market risk because Splunk UK's contractual obligation requires it to reimburse Splunk sales support affiliates' service costs for defined activities regardless of economic conditions or performance.

With respect to the R&D functions, Splunk US is responsible for driving corporate strategy, makes the key strategic decisions affecting Splunk's operations, and bears most of both global and local market risk if economic conditions or increased competition reduces demand for Splunk products.

Splunk US bears market risk as it is ultimately responsible for the sales made in the Splunk R&D affiliates' respective markets. Therefore, given that the Splunk R&D affiliates are assured that Splunk US will at least cover costs regardless of market conditions, they do not bear market risk.

With respect to the purchase of Splunk products from Splunk US by Splunk UK for its subsequent distribution in the EMEA markets, Splunk UK bears the immediate effect of market risk with the level of sales in the EMEA. Such risk will be somewhat mitigated as Splunk UK will be ensured by Splunk US, to achieve an arm's length return. However, given that Splunk UK's reimbursement will be determined by the volume of sales generated in the EMEA region, Splunk UK will continue to bear some market risk.

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**Splunk Services UK Limited**

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**Strategic report (continued)**  
**For the year ended 31 January 2022**

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**Principal risks and uncertainties (continued)***Software Development Risks*

Software development risk is the risk that Splunk's knowledge and available technology are insufficient to allow Splunk to innovate and create new products. Splunk US bears all technology related risks. With respect to the Sales support functions and the R&D functions, Splunk US, as the intellectual property owner, bears all risks related to current intellectual property obsolescence. Splunk US also bears all future development risks as it employs all decision-making, strategic leaders and contractually assumes all risk by compensating contract engineering services regardless of performance or result.

With respect to the purchase of Splunk products and solutions from Splunk US by Splunk UK for its subsequent distribution in the EMEA markets, there is no software development risks associated with the distribution of Splunk products and solutions, and therefore Splunk UK do not bear any software development risks.

*Product Liability Risks*

Product liability risk refers to a supplier's exposure to losses as a consequence of the failure of its products to perform as represented to customers. Splunk UK initially bears product liability risk as the legal seller of Splunk products and services. Splunk US contractually protects Splunk UK, so Splunk US bears virtually all product liability risks.

*Credit and Collection Risks*

Credit and collection risks are the risks that Splunk will not receive payment from its customers. With respect to the purchase of Splunk products and solutions from Splunk US by Splunk UK for its subsequent distribution in the EMEA markets, Splunk UK bears credit risk initially, as it concludes contracts with third party customers in the EMEA markets. However, such risk is eliminated under the distribution agreement with Splunk US.

*Foreign Exchange Risk*

Foreign exchange risk is the risk that unanticipated fluctuations in currency exchange rates could lead to financial loss when a company operates its business in countries with different currencies. It arises principally when a company receives compensation in one currency and accrues expenses in another. With respect to the Sales support functions, Splunk UK initially bears currency risks for the Sales Support entities they support. However, such risk is eliminated under the distribution agreement with Splunk US. With respect to the purchase of Splunk products and solutions from Splunk US by Splunk UK for subsequent distribution in the EMEA markets, Splunk UK uses a U.S. dollar functional currency. They invoice customers and purchases products and services in US dollars. As such, Splunk UK do not bear currency risk transacting with customers. Furthermore, any residual risk the Company has is eliminated under the distribution agreement with Splunk US.

*Regulatory and Macroeconomic risk*

The United Kingdom enacted a Data Protection Act in May 2018 that substantially implemented the GDPR and has implemented legislation referred to as the "UK GDPR" that generally provides for implementation of the GDPR in the United Kingdom. On June 28, 2021, the European Commission announced a decision that the United Kingdom is an "adequate country" to which personal data could be exported from the EEA, but this decision must be renewed and may face challenges in the future, creating uncertainty regarding transfers of personal data to the United Kingdom from the EEA. Additionally, we cannot fully predict how the Data Protection Act, the UK GDPR, and other United Kingdom data protection laws or regulations may develop in the medium to longer term nor the effects of divergent laws and guidance regarding how data transfers to and from the United Kingdom will be regulated in the future. Our EMEA headquarters is in London, causing these areas of uncertainty with respect to United Kingdom data protection law and cross-border personal data transfers to be particularly significant to our operations. Some countries also are considering or have enacted legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of delivering our services.

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**Splunk Services UK Limited**

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**Strategic report (continued)  
For the year ended 31 January 2022**

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**Principal risks and uncertainties (continued)**

Complying with the GDPR or other laws, regulations, or other obligations relating to privacy, data protection, data localization or security may cause us to incur substantial operational costs or require us to modify our data handling practices. Non-compliance could result in proceedings against us by governmental entities or others, could result in substantial fines or other liability, and may otherwise adversely impact our business, financial condition, and operating results.

In December 2019, COVID-19 was reported in China, in January 2020 the World Health Organization (“WHO”) declared it a Public Health Emergency of International Concern, and in March 2020 the WHO declared it a pandemic. This contagious disease has continued to spread across the globe and is materially and adversely impacting worldwide economic activity and financial.

The ongoing COVID-19 pandemic has created significant global economic uncertainty, adversely impacted the business of some of our customers, partners and vendors, and has impacted our business and results of operations in the past and could further impact our results of operations and our cash flows in the future.

COVID-19 has impacted, and could further impact, our business and that of our customers as a result of quarantines, various local, state and federal government public health orders, and other restrictions. The long-term impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration, spread, and severity of the virus and its variants, as well as the efficacy of vaccines and vaccine distribution, and the timing and trajectory of the economic recovery as well as consumer behavior as the recovery develops. Our future performance will also depend on the continuing impact of COVID-19 on our customers, partners, employee productivity and retention and sales cycles, including as a result of travel restrictions and limitations. These potential developments are uncertain and cannot be predicted and as such, the extent to which COVID-19 will continue to impact our business, operations, financial condition and results of operations over the long term is unknown. Furthermore, due to our shift to a cloud services delivery model, the effect of COVID-19 may not be fully reflected in our results of operations and overall financial performance until future periods.

As of the end of the second quarter of fiscal 2023, we allowed most of our employees to work remotely if they preferred and as additional COVID-19 variants emerge, we will continue to evaluate our workforce strategies and operations, taking into consideration factors such as treatments, vaccine progress, and public health recommendations. We also continue to evaluate our real estate needs and have in the past made the decision to exit certain office space leases. As we continue to assess our return-to-office needs, we may decide to exit additional office space leases which could result in further losses associated with our real estate lease assets.

Furthermore, in light of the current macroeconomic environment and broader business trends, we are being disciplined with our cost structure and expenditures. Toward the end of the second quarter of fiscal 2023, the Parent Company began to see changes in customer buying patterns due to the uncertain macroeconomic environment, including a slower pace of expansions or migrations to cloud services, longer sales cycles and shorter duration contracts than we expected. We will continue to closely monitor the macroeconomic environment and its effects on our business and on global economic activity, including customer spending on information technology.

**Financial key performance indicators**

The key financial and other performance indicators during the year were as follows:

	2022	2021	Variance
	\$	\$	%
Revenue	449,264,075	352,126,020	28
Operating profit	4,876,134	420,760	1,059
Profit for the year	1,236,468	1,924,661	(36)
Average number of employees	520	466	12

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## Splunk Services UK Limited

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### Strategic report (continued) For the year ended 31 January 2022

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#### Financial key performance indicators (continued)

Revenue has increased by 28%. This increase is mostly explained by an increase in Cloud solutions revenue YoY of \$48M (206%). We expect our cloud services offerings will continue to be an important source of growth for Splunk.

Operating profit increased by 1,059%. In light of the unforeseen impact of COVID-19 on Splunk's business, Splunk and its foreign affiliates agreed to update arm's length pricing for its service and distribution agreements during the fiscal year, to reflect the current economic position.

Profit of the year decreased by 36%. This fiscal year there is a tax expense of \$3.5M, compared with a tax credit of \$1.5M in the previous year.

The average headcount increased by 12% from 466 employees in 2021 to 520 in 2022. The increase was mostly due to the recruitment of more Sales and Support staff.

#### Directors' S172 statement of compliance with duty to promote the success of the Company

Pursuant to the 2018 UK Corporate Governance Code, Splunk is required to provide information on how the Company's directors ("Directors") have performed their duty under Section 172 of the Companies Act 2006 ("S172"). This S172 statement explains how Directors have engaged with employees, suppliers, customers and others. In the statements set out below, noting the Directors' duty under S172 to act in good faith to promote the success of the Company for the benefit of its shareholders but having regard amongst other matters to the following:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

The Directors generally follow the initiatives and programs of Splunk, as permitted under the relevant laws that govern the Company. Thus, the below discussion reflects the relevant actions undertaken by Splunk that are applicable to the Company.

#### *Workforce and Diversity*

Human capital management is foundational to the Ethical and Inclusive Growth pillar of Splunk's Global Impact Strategy. At the core of Splunk, we are a people-centric company. We believe that the best way to continue to deliver customer success and the best products and services is to focus on attracting the most qualified candidates to join our team (based on skills, knowledge and abilities). We also spend time and energy supporting, retaining and developing our high-performing and innovative employees. Our commitment to diversity and inclusion is central to our core values. We strive to embrace each person's unique individual value and the communities that matter to them. This commitment is an integral part of our Diversity, Equity & Inclusion ("DEI") strategy.

We work to help provide access to new careers in technology with skills development and training, promoting a new generation of diverse talent through a global network of universities, community colleges and workforce partners like YearUp and Hire Military. Splunk is regularly recognized as an employer of choice in the technology industry and within the various locations that we operate. In fiscal 2022, Fortune named Splunk one of the 100 Best Companies to Work For, as well as one of the top 10 Best Workplaces in Technology, and a Best Workplace for Millennials. In addition, we were named one of the Best Places to Work for LGBTQ Equality for the second year in a row, after earning a score of 100 on the Human Rights Campaign (HRC) Corporate Equality Index and named by People magazine as one of the top Companies That Care. In fiscal 2021, we were included in Fortune's World's Most Admired Companies.

Splunk provides a comprehensive and competitive compensation and benefits package to attract, retain and engage the talented employees that make our company successful. We provide employees with competitive base salaries, incentive compensation and equity awards in the form of RSUs as well as the opportunity to participate in our Employee Stock Purchase Plan, which allows employees to purchase Splunk stock at a discount. Our benefits offerings are designed to meet the unique needs of our employees.

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## Splunk Services UK Limited

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### Strategic report (continued) For the year ended 31 January 2022

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#### *Workforce and Diversity (continued)*

We believe we provide competitive benefits in each local market we operate in to help our employees care for themselves and their families. Common offerings are health benefits, retirement benefits, fertility and family planning benefits, paid time off, holidays and leave benefits. In response to COVID-19, we offer a number of additional benefits to help our employees. These benefits include 30 days of paid time off that employees can use for any absence related to the pandemic or a natural disaster, four additional wellbeing paid rest days and reimbursement for certain expenses related to remote working. In addition, we have a global mental health offering through a third party provider who gives our employees and their families access to counseling, personal coaches and a variety of digital wellness resources.

We believe in leadership and learning and invest in the development of all of our employees. Employees take advantage of live courses, leadership programs, online training, product training, sales training, technical training, mentor programs, team building events, seminars, conferences, lectures, university programs, peer-to-peer and manager-led training and other learning opportunities across the Company.

#### *Compliance and Ethics*

As part of our system of corporate governance, Splunk's board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of the Company, with regard to their Splunk-related activities.

#### *Our Customers*

As of January 31, 2022, Splunk has customers in more than 130 countries and our offerings have been deployed by over 95 of the Fortune 100 companies. We provide offerings to customers of varying sizes, including enterprises, educational institutions and government entities. Our current customer base spans numerous industry verticals, including education, financial services, government, healthcare/pharmaceuticals, industrials/manufacturing, media/entertainment, retail/e-commerce, technology, and telecommunications.

#### *Our Shareholders*

Splunk routinely engages with shareholders via conferences and virtual meetings. These quarterly engagements are primarily focused on company background, strategy, fundamentals, financials and competitive position.

We believe that effective corporate governance includes regular, constructive conversations with our shareholders. We are committed to maintaining an active dialogue to understand the priorities and concerns of our stockholders and believe that ongoing engagement builds mutual trust and understanding with our stockholders. Stockholder engagement and feedback are critical components of our corporate governance practices and inform our decisions and programs.

#### *Community*

We engage with the community of Splunk users, including Splunk employees, partners, and customers, through a variety of online and in-person forums to assist with Splunk skills development. Additionally, our engagement with users empowers the development of Customer and Partner solutions, drives cross-pollination of experiences and best practices, and provides feedback on current and planned future offerings and capabilities.

Our primary online forums include Splunk Answers, Splunk User Groups, and Splunk Ideas. In Splunk Answers, users share best practices about how to build searches, create data visualizations, build implementations to address specific use-cases and configure and deploy our cloud services and license offerings.

Comprehensive enablement for Customer and Partner solutions developers is provided on our Splunk Dev portal. Splunk Dev contains resources for building apps, integrations, and other Customer and Partner solutions content that extends the Splunk offerings to new data, insights, and use cases. Developers can sign up for free licenses or access to support both their on-premises and cloud-native application needs.

We also continue to support the growth of the Splunk Community, with local Splunk User Groups around the world and a growing collection of Splunk-sponsored events, such as .conf, and regional/local events.

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**Splunk Services UK Limited**

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**Strategic report (continued)  
For the year ended 31 January 2022**

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*Community (continued)*

Our Social Impact pillar encompasses programs, commitments and initiatives that help us engage communities, employees, businesses, non-profits and academia, and empower traditionally underrepresented members of society, providing pathways to thrive in the data age.

**Streamlined Energy and Carbon Reporting (SECR)**

GHG emissions and energy data

	Year to 31 January 2022	Year to 31 January 2021
<b>ENERGY CONSUMPTION TO CALCULATE EMISSIONS</b>		
Gas combustion Kilowatt Hours ('kWh')	291,600	86,000
Purchased electricity kWh	191,474	394,400
Transport fuel* kWh	2,381,912	26,800
<b>Total energy consumption kWh</b>	<b>2,864,986</b>	<b>507,200</b>
<b>EMISSIONS</b>		
Gas combustion tonnes CO2 equivalent ('tCO2e' (Scope 1))	63	16
Purchased electricity tCO2e (Scope 2, location-based)	41	84
Employee business travel (Scope 3)	187	7
Employee commuting (Scope 3)	49	-
Home working: Employee work-from-home emissions (electricity and natural gas consumption estimates) (Scope 3)	230	-
<b>Total gross emissions tonnes CO2e</b>	<b>570</b>	<b>107</b>
<b>INTENSITY RATIOS</b>		
tCO2e per full-time equivalent	0.33	0.23

**Methodology**

**Reporting boundary: Operational and financial control:** Scopes 1 and 2 reflect our main UK office building located in London (the Brunel Building, 1 & 2 Canalside Walk, London W2 1DG, United Kingdom); data sourced from utility bills, internally assured and externally audited (external verification statement to be posted at Splunk.com in fall 2022). The Brunel building is 50,195 square feet of office space; this property is a direct lease for Splunk and therefore a part of Splunk's operational and financial control boundaries. The Reading Office, reported in FY21 SECR, is not included in the scope of the FY22 UK inventory because it is a "services" property utilized by Splunk employees through a number of available desks, but is not directly considered to be under Splunk's financial or operational control and therefore is not included within the boundaries of Splunk's inventory for FY22.

**Reporting framework and quality assurance:** Splunk's FY22 Emissions Inventory was developed using the methodologies outlined by the Greenhouse Gas Protocol's Corporate Standard, Scope 1 & 2 GHG Inventory Guidance, and Technical Guidance for Calculating Scope 3 Emissions. The data is internally audited and externally assured. Reference Splunk.com for the external assurance verification statement on or after October 1, 2022.

**Emissions factors used:** Emissions factors used to develop the inventory include: DEFRA 2021 Emission Factors, IEA Emission Factors 2021 (Purchased March 11, 2022), IPCC AR6 GWP Values, IPCC AR5 GWP Values, DEFRA (07/2020) GHG reporting: conversion factors 2020 (for car rentals, business air travel, rail, and bus transit), DEFRA: Conversion factors 2021: condensed set (for most users) - revised January 2022 Fuels - Aviation Turbine Fuel row 63 (for private jet travel).

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**Splunk Services UK Limited**

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**Strategic report (continued)**  
**For the year ended 31 January 2022**

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**Streamlined Energy and Carbon Reporting (SECR) (continued)**

**Completed Carbon Reduction Initiatives**

We have undertaken the following initiatives during the reporting period:

**Targets:** In November 2021, Splunk, Inc. set and announced two climate change targets that apply to Splunk and all of its subsidiaries, including Splunk Services UK Limited:

- **Quantitative target:** Achieve global net zero emissions at a 1.5°C by 2050 as registered and confirmed by the Science Based Targets initiative organisation
- **Qualitative target:** By the end of Fiscal Year 2023 (Jan 31, 2023), evaluate, develop and set a suite of shorter-term greenhouse gas emissions reductions targets that are registered and approved by the Science Based Targets initiative organisation

**Establishing robust data quality controls and reporting mechanisms:** Splunk's first priority is to establish credible and robust reporting mechanisms and quality controls to ensure that our GHG data and 2050 net zero emissions ambitions are based on solid data. Towards this end, we have completed the following projects: ESG Data Quality Plan developed and presented to Splunk's Audit Committee in December 2021; Full-time ESG Data Quality Analyst hired to manage Splunk's GHG inventory, data quality controls, reporting mechanisms and disclosure compliance and assurance; our FY20 and FY21 greenhouse gas emissions inventories were developed by external consultants; we are building out an in-house GHG accounting practice as part of our net zero commitment; Third-party external assurance provider retained to externally assure our FY22 (Feb 1, 2021 to Jan 31, 2022) greenhouse gas data sets (expected to be published November 2022).

This report was approved by the board on 8 December 2022 and signed on its behalf.



**T Emanuelson**  
Director

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**Splunk Services UK Limited**

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**Directors' report  
For the year ended 31 January 2022**

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The directors present their report and the audited financial statements for the year ended 31 January 2022.

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Branches**

The Company has one overseas branch outside of the United Kingdom in Italy.

**Results and dividends**

The profit for the year, after taxation, amounted to \$1,236,468 (2021: \$1,924,661).

The directors do not recommend the payment of any dividends (2021: none).

**Principal risks and uncertainties**

The details of the financial risk management of the Company are included in the Strategic Report on pages 1 to 2.

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## **Splunk Services UK Limited**

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### **Directors' report (continued) For the year ended 31 January 2022**

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#### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

T Emanuelson  
M A B Fann  
J A R Hodge (appointed 24 March 2022)  
G H Morrison (appointed 24 March 2022)

#### **Future developments**

The Company moved to direct selling (under limited risk distributor model) in 2019. The Company believes the flexibility and predictability of our new Data-to-Everything pricing options have made it easier to do business with us and remove the barriers between data and action, so that everyone thrives in the Data Age. Splunk Inc., the Company's ultimate Parent company (the "Parent Company"), has made significant investments in the growth of its Data-to Everything Platform, as the Parent Company continues to expand its core products.

Splunk have reached a key milestone in our cloud transformation, where cloud services represent the majority of our total cloud services and license bookings. Our cloud services customers have accelerated their time to value and achieved lower total cost of ownership. Most importantly, the rate at which new features and capabilities are delivered to and used by customers is accelerated when using cloud services offerings. Given our customers' success adopting our cloud services offerings, we will continue to invest heavily in differentiated cloud services offerings delivered through a cloud-optimized go-to-market and support model. We will continue to invest in our license offerings to enable both standalone consumption and hybrid Splunk deployments that span customer on-premises and cloud environments. We expect our cloud services offerings will continue to be an important source of growth for Splunk, our customers and our partners.

Splunk will continue to focus our product strategy and go-to-market approaches on our Security and Observability users and we will expand the Splunk platform and Splunk Solutions offerings that serve them. We intend to deliver new and enhanced capabilities, as well as services that provide faster time-to-value and easier adoption and expansion. We also plan to deliver new features tailored to meet the specific needs of users, including more comprehensive data reach, more powerful analytics, and AI/ML and automation capabilities. While we are focused on extending our industry analyst-recognized leadership across Security and Observability, our customers benefit from even greater value when multiple organizations are generating insight using the Splunk platform.

*We intend to continue investing for long-term growth. We have invested and intend to continue to invest in product development to deliver additional features and performance enhancements, deployment models and solutions that can address new end markets.*

Splunk UK will continue to distribute and support Splunk Inc. products and services in the region.

#### **Employee involvement**

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005.

During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through Splunk's periodic All Hands meeting where Splunk's management provides updates to employees about the business, as well as an annual EKO (Employee Kick Off) event in which employees are encouraged to present their suggestions and views on Splunk's performance. Regular meetings are held between the Company's management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Company's profit-sharing schemes and are encouraged to invest in Splunk through participation in share option schemes.

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**Splunk Services UK Limited**

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**Directors' report (continued)  
For the year ended 31 January 2022**

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**Disabled employees**

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

**Qualifying third party indemnity provisions**

*Splunk Inc., the ultimate Parent company, has granted indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force during the year and at the date of approving the directors' report.*

**Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8 December 2022 and signed on its behalf.



T Emanuelson  
Director

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**Splunk Services UK Limited**

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**Independent auditors' report to the members of Splunk Services UK Limited**

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**Report on the audit of the financial statements****Opinion**

In our opinion, Splunk Services UK Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 January 2022; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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**Splunk Services UK Limited**

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**Independent auditors' report to the members of Splunk Services UK Limited**

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**Reporting on other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

**Responsibilities for the financial statements and the audit***Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, UK corporation tax legislation and payroll related taxes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of results, through fraudulent journal entries or bias in accounting estimates, by management to achieve performance targets. Audit procedures performed by the engagement team included:

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**Splunk Services UK Limited**

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**Independent auditors' report to the members of Splunk Services UK Limited**

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**Responsibilities for the financial statements and the audit (continued)**

- Evaluation of management's controls designed to prevent and detect irregularities;
- Discussions with management, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenged assumptions made by management in its significant accounting estimates;
- Reviewed board minutes to determine if any known or suspected fraud has been identified; and
- Tested journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting****Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Hannes Verwey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
9 December 2022

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**Splunk Services UK Limited**

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**Statement of comprehensive income  
For the year ended 31 January 2022**

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	Note	2022 \$	2021 \$
Revenue	4	449,264,075	352,126,020
Operating costs		(444,150,781)	(352,096,581)
Net Impairment (loss)/gain on financial assets	5	(237,160)	391,321
<b>Operating profit</b>	6	<b>4,876,134</b>	<b>420,760</b>
Finance income	8	-	89,328
Finance expense	9	(109,037)	(95,517)
<b>Profit before taxation</b>		<b>4,767,097</b>	<b>414,571</b>
Tax on profit	10	(3,530,629)	1,510,090
<b>Profit for the financial year</b>		<b>1,236,468</b>	<b>1,924,661</b>

There was no other comprehensive income for 2022 (2021 - \$nil).

All amounts relate to continuing operations.

The notes on pages 17 to 41 form part of these financial statements.

**Splunk Services UK Limited**  
**Registered number:07621282**

**Balance sheet**  
**As at 31 January 2022**

	Note	2022 \$	2021 \$
<b>Fixed assets</b>			
Property, plant and equipment	11	11,806,164	14,711,432
Right of use asset	12	28,182,767	31,175,626
		<u>39,988,931</u>	<u>45,887,058</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	83,260,578	70,440,440
Debtors: amounts falling due within one year	13	255,706,689	207,008,368
Cash and cash equivalents	14	189,623,829	130,863,405
		<u>508,591,096</u>	<u>408,312,213</u>
Creditors: amounts falling due within one year	15	(317,367,199)	(235,430,632)
<b>Net current assets</b>		<u>191,223,897</u>	<u>172,881,581</u>
<b>Total assets less current liabilities</b>		<u>231,212,828</u>	<u>218,768,639</u>
Creditors: amounts falling due after more than one year	16	(49,416,032)	(65,516,305)
		<u>181,796,796</u>	<u>153,252,334</u>
Provisions for liabilities	20	(1,870,473)	(1,763,407)
<b>Net assets</b>		<u><u>179,926,323</u></u>	<u><u>151,488,927</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	1	1
Foreign exchange reserve	23	633,210	633,210
Other reserves	23	142,030,129	114,829,201
Profit and loss account	23	37,262,983	36,026,515
<b>Total equity</b>		<u><u>179,926,323</u></u>	<u><u>151,488,927</u></u>

The financial statements on pages 17 to 41 were approved and authorised for issue by the board and were signed on its behalf on 8 December 2022.

  
**T Emanuelson**  
 Director

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**Splunk Services UK Limited**

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**Statement of changes in equity  
For the year ended 31 January 2022**

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	Called up share capital	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
<b>At 1 February 2020</b>	1	633,210	93,478,189	34,101,854	128,213,254
Profit for the financial year	-	-	-	1,924,661	1,924,661
Share-based payment charge	-	-	21,519,450	-	21,519,450
Deferred taxation	-	-	(168,438)	-	(168,438)
<b>Total transactions with owners</b>	-	-	21,351,012	-	21,351,012
<b>At 31 January 2021</b>	1	633,210	114,829,201	36,026,515	151,488,927
Profit for the financial year	-	-	-	1,236,468	1,236,468
Share-based payment charge	-	-	27,492,830	-	27,492,830
Deferred taxation	-	-	(291,902)	-	(291,902)
<b>At 31 January 2022</b>	1	633,210	142,030,129	37,262,983	179,926,323

The notes on pages 17 to 41 form part of these financial statements.

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## Splunk Services UK Limited

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### Notes to the financial statements For the year ended 31 January 2022

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#### 1. General information

Splunk Services UK Limited is a private company limited by shares which is incorporated in the United Kingdom under the Companies Act 2006 and is registered and domiciled in England. On 1st July 2021 Splunk Services UK Limited registered office address was updated to 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester, M3 5GS.

#### 2. Accounting policies

##### 2.1 Statement of compliance and basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The Company's financial statements are presented in US Dollars (\$) and rounded to the nearest dollar.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2022. These policies have been consistently applied, unless otherwise stated.

##### 2.2 Going concern

The Company's business activities, together with the factors which the directors foresee will impact upon the future commercial success of the Company, are set out in the financial statements. In addition, the directors have considered the principal risks and challenges to the continued trading of the Company up to and including the month of signature of these financial statements.

The Company has considerable financial resources with which to meet its cost commitments for the foreseeable period. The directors therefore believe that the Company is well placed to manage its business risks. The directors have a reasonable expectation that the Company has adequate resources to continue its operation existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The novel coronavirus ("COVID-19") has created, and may continue to create, significant uncertainty in macroeconomic conditions. The lasting social effects and extent of the impact the COVID-19 pandemic will directly or indirectly have on the global economy, our business, results of our operations, and our financial condition will depend on future developments which are highly uncertain and cannot be accurately predicted. These include the duration, spread, severity and potential recurrence of the virus and its variants, and the global availability of COVID-19 vaccines and vaccination rates.

The outbreak of the war in Ukraine might represent a risk for the Company. Current and possible further sanctions in the future against Russia or other countries and their impact on the global economy as well as the worldwide flow of goods and payments may adversely impact our earnings. As there are presently no business activities in Ukraine or Russia, we do not currently expect any significant impact on the net assets, financial position and results of operations of the Company and currently classify the risk as low. However, it should be considered that the effects of the war in Ukraine are subject to a high degree of uncertainty at the time of preparing the annual financial statements and cannot be fully predicted at present.

As of the date of issuance of these financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments or adjust the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and will be recognized in the financial statements as soon as they become known.

**2. Accounting policies (continued)**

**2.3 Financial reporting standard 101 - reduced disclosure exemptions**

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d) (statement of cash flows) applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total.

*New standards, amendments and IFRIC interpretations*

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021.

These amendments had no material impact on the financial statements of the Company.

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## Splunk Services UK Limited

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### Notes to the financial statements For the year ended 31 January 2022

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## 2. Accounting policies (continued)

### 2.4 Revenue

The Company generates revenues primarily in the form of software license, related maintenance fees, cloud services and other service fees. Licenses for on-premises software are typically term licenses and provide the customer with a right to use the software.

When purchasing a license, a customer also purchases maintenance for the term of the license period. Cloud services are provided on a subscription basis and give customers access to cloud solutions, which include related customer support. Other services include training and professional services that are not integral to the functionality of the licenses or cloud services.

The Company's contracts with customers often contain multiple performance obligations, which may include a combination of licenses, related maintenance and support services, cloud services and professional services including training. The Company applies significant judgment in identifying and accounting for each performance obligation, as a result of evaluating the terms and conditions in contracts. For these contracts, the Company account for licenses, maintenance and support, cloud services and other services as separate performance obligations as they are each distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. The Company determines the SSP based on an observable standalone selling price when it is available, as well as other factors, including the price charged to customers, discounting practices, and overall pricing objectives, while maximizing observable inputs. In situations where pricing is highly variable, the Company estimates the SSP using the residual approach.

Revenue is recognized when the performance obligations are satisfied. Revenue is recorded net of applicable taxes. The Company's specific revenue recognition policies are as follows:

#### *Licenses*

License revenues consist of revenues from term software licenses, and to a much lesser extent perpetual licenses, under which we generally recognize the license fee portion of the arrangement upfront, assuming all revenue recognition criteria are satisfied. License revenues reflect the revenues recognized from sales of licenses to new customers and additional licenses to existing customers, including sales from the renewal of term licenses.

The Company satisfies the obligation and recognizes revenue for licenses upon transfer of control of the licenses, which occurs at delivery of the license key to customers, or when the license term commences, if later.

#### *Maintenance, professional and training services*

Maintenance and services revenues consist of revenues from maintenance agreements and professional services and training.

When a term license is purchased, maintenance is bundled with the license for the term of the license period. While the Company only sells perpetual licenses on an exception basis, for any existing perpetual license customers, maintenance is usually renewed on an annual basis. Customers with maintenance agreements are entitled to receive support and unspecified upgrades and enhancements when and if they become available during the maintenance period. The Company satisfies maintenance and support performance obligations and recognizes revenue ratably over the maintenance and support term, consistent with the pattern of benefit to the customer of such services.

The Company has a professional services organization focused on helping customers deploy their software in highly complex operational environments and train their personnel. Training and professional services have stated billing rates per service hour or are provided on a subscription basis, accordingly, revenues are recognized as services are delivered or ratably over the subscription period.

**2. Accounting policies (continued)**

**2.4 Revenue (continued)**

With respect to contracts that include customer acceptance provisions, revenue is recognized upon customer acceptance.

*Cloud Services*

Cloud services allow customers to use hosted software over the contract period without taking possession of the software.

The Company satisfies cloud service performance obligations over the associated contract term and recognizes the associated revenue ratably over the term of the contract once access is provided to the customer, consistent with the pattern of benefit to the customer of such services.

*Receivables*

Most of the Company's multi-year license and cloud services contracts are invoiced annually. The Company records a receivable for multi-year license contracts, whether or not invoiced, to the extent they have an unconditional right to receive payment in the future related to those licenses. A receivable for multi-year cloud services is generally recorded upon invoicing.

The non-current portion of these receivables, primarily consisting of unbilled receivables, is included in "Debtors: Amounts falling due after more than one year".

Payment terms and conditions vary by contract type, although the Company's terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of payment, the Company has determined their contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, not to receive financing from their customers or to provide customers with financing.

*Deferred Revenues*

Deferred revenues or contract liabilities are recorded when the Company invoice a contract or deliver a license prior to recognizing revenue. It is comprised of balances related to maintenance, cloud services, training and professional services invoiced at the beginning of each service period, as well as licenses that were delivered prior to the license term commencing.

*Provision of services*

The Company earns revenue from the provision of Research and Development services to its ultimate Parent.

**2.5 Deferred sales commissions**

Sales commissions paid to our sales force and the related payroll taxes are considered incremental and recoverable costs of obtaining a contract with a customer. These are also referred as contract costs, and are capitalized in the balance sheet, splitting between current and non-current. Splunk generally amortise these costs over the remaining contractual term of their customer contracts, consistent with the pattern of revenue recognition of each performance obligation, for contracts in which the commissions paid on the initial and renewal contracts are commensurate. For certain contracts in which the commissions paid on the initial and renewal contracts are not commensurate, Splunk amortise the commissions paid on the initial contract over an expected period of benefit, which we have determined to be approximately five years. Splunk have determined the period of benefit by taking into consideration our customer contracts, the duration of our relationships with our customers and our technology. In capitalizing and amortizing deferred commissions, we have elected to apply a portfolio approach. Splunk include amortization of deferred commissions within Operating Costs. There were no impairments to deferred commissions for all periods presented.

**2. Accounting policies (continued)**

**2.6 Plant, property & equipment**

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company, the carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold buildings	- Over the length of the lease
Fixtures & fittings	- 5 years straight-line
Computer equipment	- 3 years straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.7 Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and unbilled receivables.

To measure the expected credit losses, trade receivables and unbilled accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The unbilled accounts receivables relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the unbilled receivables.

**2.8 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.9 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

## **2. Accounting policies (continued)**

### **Financial Assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss; financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the groups business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) *Financial assets at amortised cost*

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) *Financial assets at fair value through profit or loss*

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost (see note 2.9(a) and (b) above).
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

### **Financial Liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

#### **At amortised cost**

Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

#### **2.10 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2. Accounting policies (continued)**

**2.11 Foreign currency translation**

**Functional and presentation Currency**

The Company's functional and presentational currency is US Dollars (\$).

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and where they relate to the retranslation of assets and liabilities of the overseas branches where they are recognised in other comprehensive income.

**2.12 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.13 Share-based payments**

Where share options and restricted stock units (RSU's) are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options and RSU's are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

**2.14 Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

**2. Accounting policies (continued)**

**2.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**2.16 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.17 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.18 Other finance costs**

Other finance costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

**Notes to the financial statements  
For the year ended 31 January 2022**

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**2. Accounting policies (continued)**

**2.19 Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, long term incentive plans and paid holiday arrangements.

**(a) Short-term benefits**

Short-term benefits including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**(b) Annual bonus plans**

The Company operates annual bonus and sales commission plans for employees. An expense is recognised in the statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

In addition to the above benefits, the Company also offers private medical care, dental care, life assurance, pension and income protection to its employees.

**2.20 Leases**

**The Company as a lessee**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

**Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**2. Accounting policies (continued)****2.20 Leases (continued)**

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Revenue Recognition**

Contracts with customers often contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The Company applies significant judgment in identifying and accounting for each performance obligation, as a result of evaluating the terms and conditions in contracts. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. The Company determines the SSP based on an observable standalone selling price when it is available, as well as other factors, including the price charged to customers, discounting practices, and overall pricing objectives, while maximizing observable inputs. In situations where pricing is highly variable, the Company estimates the SSP using the residual approach.

**Deferred Sales Commissions**

Sales commissions paid to the Company's sales force and the related payroll taxes are considered incremental and recoverable costs of obtaining a contract with a customer. These are also referred as contract costs. The Company generally amortises these costs over the remaining contractual term of customer contracts, consistent with the pattern of revenue recognition of each performance obligation, for contracts in which the commissions paid on the initial and renewal contracts are commensurate. For certain contracts in which the commissions paid on the initial and renewal contracts are not commensurate, the Company amortises the commissions paid on the initial contract over an expected period of benefit, which have been determined to be approximately five years. The Company has determined the period of benefit by taking into consideration customer contracts, the duration of relationships with customers and technology. In capitalizing and amortizing deferred commissions, the Company has elected to apply a portfolio approach.

**Impairment of debtors**

The Company makes a provision against trade receivables based on an assessment of the recoverability and estimates for expected credit losses, previous experiences including historical cash collection data, review of current economic environment, the age of the debt and actual write off history. The actual level of receivables collected may differ either favorable or negatively from those estimates given.

**Share-based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the options granted to employees. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The assumptions and method used for estimating fair value for share-based payment transactions are discussed in note 21.

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**3. Judgments in applying accounting policies (continued)****Leases**

As the implicit rate for the Company's operating leases is generally not determinable, Splunk uses the incremental borrowing rate as their discount rate at the lease commencement date to determine the present value of lease payments. The Company determines the discount rate of their leases by considering various factors, such as our credit rating, interest rates of similar debt instruments of entities with comparable credit ratings, the lease term and the currency in which the lease is denominated. The discount rate was determined using a portfolio approach.

**4. Revenue**

An analysis of turnover by class of business is as follows:

	2022	2021
	\$	\$
License	261,649,139	241,271,968
Maintenance, professional and training services	108,855,193	81,612,430
Cloud services	71,841,001	23,448,811
Provision of Services	6,918,742	5,792,811
	<u>449,264,075</u>	<u>352,126,020</u>

All turnover arose within the United Kingdom.

**5. Net Impairment (loss)/gain on financial assets**

	2022	2021
	\$	\$
Expected credit losses/(gains)	<u>237,160</u>	<u>(391,321)</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**6. Operating profit**

The operating profit is stated after charging:

	2022	2021
	\$	\$
Depreciation of property, plant and equipment (note 11)	2,659,929	2,363,369
Loss on disposal of property, plant and equipment (note 11)	278,818	-
Auditors' remuneration - fees payable for audit	201,020	173,853
Depreciation on right of use assets (note 12)	2,992,859	3,782,089
Operating lease charges	433,098	751,022
Staff costs (note 7)	133,467,210	114,753,400
Exchange differences	29,762	12,811
	<u>133,467,210</u>	<u>114,753,400</u>

The emoluments of the Company's directors are paid by Splunk Inc., the Company's ultimate Parent (the "Parent Company"), which makes no recharge to the Company. The Company's directors are employees of the Parent Company and the directors of other Parent Company's subsidiaries. Thus, it is not possible to make an accurate apportionment of their emoluments in respect of each of the Parent Company's subsidiaries. Accordingly, no emoluments of the Company's directors are disclosed.

**7. Employees**

Staff costs were as follows:

	2022	2021
	\$	\$
Wages and salaries	90,798,939	79,873,267
Social security costs	13,458,738	12,148,532
Share-based payments (see note 21)	27,492,830	21,519,450
Other pension costs	1,716,703	1,212,151
	<u>133,467,210</u>	<u>114,753,400</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**7. Employees (continued)**

The average monthly number of employees, including the directors, during the year was as follows:

	2022 Number	2021 Number
Human resources	16	12
Marketing	18	20
Sales	284	297
Support	133	86
R&D	37	28
Finance	12	9
Facilities and IT	10	8
Legal	10	6
	<u>520</u>	<u>466</u>

**8. Finance income**

	2022 \$	2021 \$
Other interest receivable	-	89,328
	<u>-</u>	<u>89,328</u>

**9. Finance expense**

	2022 \$	2021 \$
Unwinding of dilapidation provisions	109,037	95,517
	<u>109,037</u>	<u>95,517</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**10. Tax on profit**

	2022 \$	2021 \$
<b>Corporation tax</b>		
Current tax on profits for the year	813,618	-
Adjustments in respect of previous periods	927,396	174,176
Foreign tax relief/other relief	(4,068)	-
Foreign tax suffered	287,194	-
<b>Total current tax</b>	<u>2,024,140</u>	<u>174,176</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,263,943	(1,559,260)
Adjustment in respect of previous periods	835,506	(125,005)
Effect of changes in tax rates	(592,960)	(1)
<b>Total deferred tax</b>	<u>1,506,489</u>	<u>(1,684,266)</u>
<b>Tax on profit</b>	<u>3,530,629</u>	<u>(1,510,090)</u>

**Factors affecting tax charge/(credit) for the year**

The tax assessed for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 \$	2021 \$
Profit before tax	<u>4,767,097</u>	<u>414,571</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	905,748	78,768
<b>Effects of:</b>		
Expenses not deductible for tax purposes	337,260	229,184
Income not taxable	(106,349)	-
Tax rate changes	(592,960)	-
Effects of overseas tax rates	239,862	-
Donations reversed out	95,000	-
Adjustment in respect of prior years	1,762,902	49,171
Share options	889,166	(1,867,213)
<b>Total tax charge/(credit) for the year</b>	<u>3,530,629</u>	<u>(1,510,090)</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**10. Tax on profit (continued)****Factors that may affect future tax charges**

Legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) maintained the current rate of 19%. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023 (enacted on 10 June 2021).

Deferred taxes on the balance sheet have been measured at the rate they are expected to reverse, which is between 19% and 25% (2021 – 19%) representing the future corporation tax rates that were enacted at the balance sheet date.

**11. Property, plant and equipment**

	Leasehold buildings \$	Fixtures & fittings \$	Computer equipment \$	Total \$
<b>Cost</b>				
At 1 February 2021	14,356,172	2,170,844	2,805,405	19,332,421
Additions	-	-	33,479	33,479
Disposals	(2,199,484)	(122,533)	(225,541)	(2,547,558)
At 31 January 2022	<u>12,156,688</u>	<u>2,048,311</u>	<u>2,613,343</u>	<u>16,818,342</u>
<b>Accumulated Depreciation</b>				
At 1 February 2021	2,612,122	506,534	1,502,333	4,620,989
Charge for the year on owned assets	1,526,715	421,275	711,939	2,659,929
Disposals	(1,950,984)	(98,043)	(219,713)	(2,268,740)
At 31 January 2022	<u>2,187,853</u>	<u>829,766</u>	<u>1,994,559</u>	<u>5,012,178</u>
<b>Net book value</b>				
At 31 January 2022	<u>9,968,835</u>	<u>1,218,545</u>	<u>618,784</u>	<u>11,806,164</u>
At 31 January 2021	<u>11,744,050</u>	<u>1,664,310</u>	<u>1,303,072</u>	<u>14,711,432</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**12. Right of use asset**

	Land & buildings \$
<b>Cost</b>	
At 1 February 2021	37,079,803
At 31 January 2022	<u>37,079,803</u>
<b>Accumulated depreciation</b>	
At 1 February 2021	5,904,177
Charge for the year	2,992,859
At 31 January 2022	<u>8,897,036</u>
<b>Net book value</b>	
At 31 January 2022	<u>28,182,767</u>
At 31 January 2021	<u>31,175,626</u>

On 4 February 2020, the Company entered a new Lease in the Brunel premises, in London, Paddington. Splunk London business operations were transferred from Sheldon Square premises to Brunel, having the Company cease to use the leased space at Sheldon Square.

Upon vacating the space and during the financial year, management actively tried to market the Sheldon lease. There has been an offer during the course of the financial year, but no deal was signed.

Due to the limited remaining term left on the lease and the fact any new tenant can't extend because the landlord plans on letting leases expire in the building and reposition the project by way of substantial renovation, management believes the property will remain vacant for the balance of the term (October 22).

Therefore, at balance sheet date, the right of use asset is deemed as non-recoverable.

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**13. Debtors**

	2022	2021
	\$	\$
<b>Amounts falling due after more than one year</b>		
Unbilled accounts receivable	59,464,232	63,875,936
Contract costs (note 17)	23,796,346	6,564,504
	<u>83,260,578</u>	<u>70,440,440</u>

The contract costs relate to the capitalized sales commissions paid to the Company's sales force and that are considered incremental and recoverable costs of obtaining a contract with a customer. For contracts in which the commissions paid on the initial and renewal contracts are commensurate, the balance is expected to be amortised over the remaining contractual term of our customer contract, consistent with the revenue recognition for each performance obligation. For certain contracts in which the commissions paid on the initial and renewal contracts are not commensurate, the Company amortise the commissions paid on the initial contract over an expected period of benefit, which is determined to be approximately five years.

	2022	2021
	\$	\$
<b>Amounts falling due within one year</b>		
Trade debtors	194,772,202	126,239,484
Amounts owed by group undertakings	2,283,523	25,190,792
Unbilled accounts receivable	45,461,142	31,470,628
Prepayments and accrued income	1,632,125	2,706,410
Contract costs (note 17)	8,404,121	14,210,798
Corporation tax recoverable	12,517	693,348
Deferred taxation (note 19)	3,141,059	4,939,449
VAT	-	1,557,461
	<u>255,706,689</u>	<u>207,008,368</u>

All amounts shown under debtors fall due for payment within one year with the exception of the deferred tax asset.

All amounts owed by group undertakings are non-interest bearing and repayable on demand.

**14. Cash and cash equivalents**

	2022	2021
	\$	\$
Cash at bank and in hand	<u>169,623,829</u>	<u>130,863,405</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**15. Creditors: amounts falling due within one year**

	2022	2021
	\$	\$
Contract liabilities (note 17)	166,126,431	128,529,122
Trade creditors	150,253	242,766
Amounts owed to group undertakings	113,425,249	70,985,893
Other taxation and social security	11,779,824	15,115,704
Lease liabilities (note 24)	1,862,529	1,582,823
Accruals	22,022,913	18,974,324
	<u>317,367,199</u>	<u>235,430,632</u>

Contract liabilities are recorded when the Company invoice a contract or deliver a license prior to recognizing revenue. It is comprised of balances related to maintenance, cloud services, training and professional services invoiced at the beginning of each service period, as well as licenses that we delivered prior to the license term commencing.

All amounts owed to group undertakings are payable on demand, unsecured and non-interest bearing.

**16. Creditors: Amounts falling due after more than one year**

	2022	2021
	\$	\$
Lease liabilities (note 24)	32,381,493	35,034,932
Other creditors	1,156,046	889,439
Contract liabilities (note 17)	15,878,493	29,591,934
	<u>49,416,032</u>	<u>65,516,305</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**17. Contract costs and liabilities**

The movement of contract costs during the year ended 31 January 2022 is as follows:

	At 1 February 2021 \$	Additions \$	Amortisation \$	Reclassifications \$	At 31 January 2022 \$
Non-current contract costs (note 13)	6,584,504	22,000,451	-	(4,768,609)	23,796,346
Current contract costs (note 13)	14,210,796	13,068,494	(23,643,778)	4,768,609	8,404,121
<b>Total</b>	<b>20,775,300</b>	<b>35,068,945</b>	<b>(23,643,778)</b>	<b>-</b>	<b>32,200,467</b>

The contract costs relate to the capitalized sales commissions paid to the Company's sales force and that are considered incremental and recoverable costs of obtaining a contract with a customer. For contracts in which the commissions paid on the initial and renewal contracts are commensurate, the balance is expected to be amortised over the remaining contractual term of our customer contract, consistent with the revenue recognition for each performance obligation. For certain contracts in which the commissions paid on the initial and renewal contracts are not commensurate, the Company amortises the commissions paid on the initial contract over an expected period of benefit, which is determined to be approximately five years.

The amortisation schedule of contract costs at 31 January 2022 is as follows:

	2023 \$	2024 \$	2025 \$	Subsequent years \$	Total \$
At 31 January 2023	8,404,121	-	-	-	8,404,121
At 31 January 2024	-	9,586,591	-	-	9,586,591
At 31 January 2025	-	-	6,804,544	-	6,804,544
Subsequent years	-	-	-	7,405,211	7,405,211
<b>Total</b>	<b>8,404,121</b>	<b>9,586,591</b>	<b>6,804,544</b>	<b>7,405,211</b>	<b>32,200,467</b>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**17. Contract costs and liabilities (continued)**

The movement of contract liabilities of contracts with customers during the year ended 31 January 2022 is as follows:

	At 1 February 2021 \$	Additions \$	Utilised \$	Reclassifications \$	At 31 January 2022 \$
Non-current contract liabilities (note 16)	29,591,934	11,955,263	-	(25,668,704)	15,878,493
Current contract liabilities (note 15)	128,529,122	189,135,931	(175,207,326)	25,668,704	168,126,431
<b>Total</b>	<b>158,121,056</b>	<b>201,091,194</b>	<b>(175,207,326)</b>	<b>-</b>	<b>184,004,924</b>

Contract liabilities are recorded when the Company invoice a contract or deliver a license prior to recognizing revenue. It is comprised of balances related to maintenance, cloud services, training and professional services invoiced at the beginning of each service period, as well as licenses that we delivered prior to the license term commencing.

The maturity schedule of contract liabilities at 31 January 2022 is as follows:

	2023 \$	2024 \$	2025 \$	Subsequent years \$	Total \$
Contract liabilities - License	16,719,133	638,435	12,555	-	17,370,123
Contract liabilities - Maintenance, professional & training	78,589,168	8,918,362	1,837,981	281,010	89,626,521
Contract liabilities - Cloud	72,818,131	2,348,170	1,841,979	-	77,008,280
<b>Maturity of performance obligations</b>	<b>168,126,432</b>	<b>11,904,967</b>	<b>3,692,515</b>	<b>281,010</b>	<b>184,004,924</b>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**18. Financial instruments**

	2022 \$	2021 \$
<b>Financial assets</b>		
Cash and cash equivalents	169,823,829	130,863,405
Financial assets that are debt instruments measured at amortised cost	301,981,098	246,776,839
	<u>471,604,927</u>	<u>377,640,244</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(150,253)</u>	<u>(242,766)</u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings, trade debtors and other debtors. Financial liabilities measured at amortised cost comprise trade creditors. Moreover, financial liabilities relating to finance leases amounting to \$34,244,022 (2021: \$36,617,755) are disclosed in note 24 to the financial statements.

**19. Deferred taxation**

	2022 \$	2021 \$
At beginning of year	4,939,449	3,423,621
Charged to profit or loss	(670,981)	1,559,261
Charged to equity	(291,902)	(168,438)
Prior year deferred tax adjustments	(835,507)	125,005
<b>At end of year</b>	<u>3,141,059</u>	<u>4,939,449</u>

The deferred tax asset is made up as follows:

	2022 \$	2021 \$
Accelerated capital allowances	687,380	40,807
Deferred tax asset arising due to net temporary differences	2,453,679	1,935,696
Losses	-	2,962,946
	<u>3,141,059</u>	<u>4,939,449</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**20. Provisions for liabilities**

	Dilapidation provision \$
At 1 February 2021	1,763,407
Unwinding discount	109,037
Adjustments as a result of change in dilapidation estimates	(1,971)
<b>At 31 January 2022</b>	<b>1,870,473</b>

A discount rate of 5.98% was used to discount the future obligation of the dilapidation to the present value. The dilapidation liabilities are estimated to be payable upon the termination of the leases. The present value calculation takes into consideration this period.

**21. Share-based payments**

Where share options in the Parent Company are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Equity settled share options are recognised with a corresponding credit to equity (representing a capital contribution from the Parent Company).

	Weighted average exercise price (cents) 2022 \$	Number 2022	Weighted average exercise price (cents) 2021 \$	Number 2021
Outstanding at the beginning of the year	8.41	5,999	11.74	35,853
Granted during the year	-	-	-	-
Forfeited during the year	10.84	(1,216)	12.73	(26,060)
Exercised during the year	7.6	(3,638)	10.21	(3,794)
Expired during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>8.40</b>	<b>1,145</b>	<b>8.41</b>	<b>5,999</b>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**21. Share-based payments (continued)****Employee Stock Purchase Plan (ESPP)**

Splunk's 2012 Employee Stock Purchase Plan, as amended (the "ESPP") allows eligible employees to purchase shares of the Parent Company common stock at a discount through payroll deductions of up to 15% of their eligible compensation, at not less than 85% of the fair value, as defined in the ESPP, subject to any plan limitations. The ESPP provides for consecutive 24-month offering periods, starting on the first trading day on or after June 15 and December 15 of each year.

The exercise of price options outstanding at the end of the year ranged between 4.82 USD in Jan 2021 and 12.73 USD in Jan 2022 (2021 – 4.82 USD and 12.73 USD) and their weighted average contractual life was 6.15 years (2021 – 4.6 years).

Of the total number of options outstanding at the end of the year, 1,145 (2021 – 5,999) had vested and were exercisable at the end of the year.

The weighted average share price of options during the year was 8.42 USD (2021 – 8.41 USD) at the date of exercise.

	2022 \$	2021 \$
Equity-settled schemes	<u>27,492,830</u>	<u>21,519,450</u>

**Restricted Stock Units (RSUs)**

The active share option plan also allows for the grant of restricted stock awards to employees. RSUs are vested and settled in the Parent Company shares over a 4 year period from the date of grant. The grant date fair value stock price for RSU's ranged from 157.96 USD in January 2020 to 170.95 USD in January 2021.

	2022 No	2021 No
Outstanding at the beginning of the year	396,204	515,427
Net transfers in/out of group companies	(184)	(12,242)
RSUs granted	263,156	161,163
RSUs vested	(157,761)	(189,347)
RSUs forfeited	(79,325)	(78,797)
Outstanding at the year end	<u>422,090</u>	<u>396,204</u>

**22. Called up share capital**

	2022 \$	2021 \$
<b>Allotted, called up and fully paid</b>		
1 (2021 - 1) Ordinary share of \$1.00 (2021 - \$1.00)	<u>1</u>	<u>1</u>

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**23. Reserves****Foreign exchange reserve**

The foreign exchange reserve represents gains and losses on translation of the Company's financial statements into its presentation currency during 2020.

**Other reserves**

This reserve records the grant by the Company of options over equity instruments of the Parent Company to the employees of our Company. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period and is a credit to equity on our financial statements.

**Profit and loss account**

The profit and loss account represent cumulative profits or losses, net of dividends paid and other adjustments.

**24. Lease liabilities****Company as a lessee**

On 23 October 2012 the Company entered into a 10 year lease with Paddington Central 1 (GP) Limited for the occupation of a new premises. There was a rent review on the 31 of January 2018, but with retrospective effects to the 23 October 2017. The yearly rent payable under the lease has been reviewed and fixed in accordance with the terms of the Lease at \$1,114,544 per annum, being the aggregate of: (1) \$1,109,957 per annum for the premises (as defined in the lease) and (2) \$4,587 per annum for one car parking space which Splunk has the right to use.

On 7 June 2019 the Company entered into a 12 year lease for the occupation of two floors in another premises in Brunel. The yearly rent payable under the lease has been reviewed and fixed in accordance with the terms of the Lease at \$806,117 per annum for 4th Floor & \$805,776 per annum for the 5th Floor.

On 4 February 2020 the Company entered into a 11 year lease for the occupation of a third floor in the Brunel premises. The yearly rent payable under the lease has been reviewed and fixed in accordance with the terms of the Lease at \$852,263, per annum for the 3rd floor.

	2022	2021
	\$	\$
<b>Lease liabilities</b>		
Current lease liabilities (note 15)	1,862,529	1,582,823
Non-current lease liabilities (note 16)	32,381,493	35,034,932
<b>Maturity of lease liabilities</b>		
Within one year	1,862,529	1,582,823
Later than one year but not later than five years	13,524,775	12,387,471
Later than five years	18,856,718	22,647,461
	<u>34,244,022</u>	<u>36,617,755</u>

The total cash outflow for leases in 2022 was \$4,072,890 (2021: \$4,474,880).

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**Splunk Services UK Limited**

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**Notes to the financial statements  
For the year ended 31 January 2022**

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**24. Lease liabilities (continued)**

Future cash outflow for leases:

	2022	2021
	\$	\$
Within one year	3,615,829	3,723,858
Later than one year but not later than five years	19,775,061	18,819,918
Later than five years	21,080,777	26,678,879
	<u>44,471,667</u>	<u>49,222,655</u>

In 2022, expenses relating to short-term leases where the Company is a lessee, have been recognized in the profit or loss, at an amount of \$433,098 (2021: \$751,022).

**25. Controlling party**

The immediate parent undertaking is Splunk Services LLC, a Delaware, U.S.A., limited liability company. The ultimate parent undertaking and controlling party is Splunk Inc., a company incorporated in Delaware, U.S.A. Splunk Inc. is a public traded company in the U.S.A. whose stock is listed in the NASDAQ stock exchange.

The largest and smallest group in which the results of the Company are consolidated is that headed by Splunk Inc., incorporated in Delaware, U.S.A. The consolidated financial statements of this company are available to the public and may be obtained from 270 Brannan Street, San Francisco, CA 94107, U.S.A. No other group financial statements include the results of the Company.