

REVENUE RECOGNITION POLICY

REVENUE RECOGNITION POLICY

Polar Dynamics Robotics, Inc.

Effective Date: January 1, 2024

Policy Number: FIN-2024-001

1. PURPOSE AND SCOPE

1. This Revenue Recognition Policy ("Policy") establishes the guidelines for recognizing revenue in accordance with applicable accounting standards.
2. This Policy applies to all revenue-generating activities and ensures consistent and accurate reporting of revenue across all departments and locations.

2. DEFINITIONS

1. "BlueCore(TM) Platform" refers to the Company's proprietary cold-chain management platform.
2. "Performance Obligation" means a promise in a contract to transfer a good or service to a customer.
3. "Transaction Price" refers to the amount of consideration the Company expects to receive in exchange for the goods or services transferred to a customer.

3. REVENUE STREAMS

1. Hardware Sales

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Sale of AMR units

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Spare parts and components

- - 2 -

Hardware upgrades and modifications

2. Software and Licensing

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BlueCore(TM) Platform software licenses

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Navigation system updates

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Fleet management software

3. Services

-

Installation and commissioning

-

Maintenance contracts

-

Technical support

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Training services

4. REVENUE RECOGNITION CRITERIA

1. Hardware Revenue Recognition

a) Revenue from AMR sales shall be recognized when:

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Physical delivery of the unit is complete

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Customer acceptance testing is successful

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Control has transferred to the customer

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Collection is reasonably assured

b) Hardware revenue shall be recognized net of:

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Volume discounts

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Return allowances

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Performance guarantees

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Extended warranty obligations

2. Software License Revenue

a) Perpetual licenses shall be recognized upon:

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Delivery of access credentials

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Completion of installation

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Customer acceptance

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Receipt of signed license agreement

b) Subscription-based licenses shall be recognized:

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Ratably over the subscription term

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Beginning on the activation date

- - 6 -

Subject to customer's continued right of use

3. Service Revenue

a) Installation services shall be recognized:

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Upon completion of commissioning

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Customer sign-off obtained

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System performance verification

b) Maintenance contracts shall be recognized:

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Ratably over the service period

- - 7 -

Based on actual service delivery

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According to the specified service level agreement

5. MULTIPLE ELEMENT ARRANGEMENTS

1. For contracts containing multiple performance obligations:

- a) Identify distinct performance obligations
- b) Allocate transaction price based on relative standalone selling price
- c) Apply recognition criteria separately to each element

2. Bundled Offerings

- a) Separate hardware, software, and service components
- b) Establish fair value for each element

- c) Apply appropriate recognition timing to each component

6. CONTRACT MODIFICATIONS

- 1. Changes in scope or price shall be evaluated to determine:
 - a) Whether modification creates new performance obligations
 - b) Impact on transaction price
 - c) Recognition timing adjustments

7. PAYMENT TERMS AND CONSIDERATIONS

- 1. Standard payment terms:

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50% upon order placement

- - 9 -

40% upon delivery

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10% upon final acceptance

2. Extended payment terms exceeding 12 months require:

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Executive approval

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Present value calculations

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Separate financing component consideration

8. DOCUMENTATION REQUIREMENTS

1. Required documentation for revenue recognition:

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Executed customer contract

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Delivery confirmation

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Installation completion certificate

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Customer acceptance document

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Payment receipts

9. REVIEW AND APPROVAL

1. Revenue recognition determinations require review by:

- - 11 -

Revenue Accounting Manager

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Controller

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CFO for transactions exceeding \$1,000,000

10. POLICY ADMINISTRATION

1. This Policy shall be reviewed annually by the Finance Department.

2. Amendments require approval from:

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Chief Financial Officer

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Audit Committee

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Board of Directors (material changes)

11. EFFECTIVE DATE AND AMENDMENTS

Original Effective Date: January 1, 2024

Last Revised: January 1, 2024

Next Review Date: January 1, 2025

Approved by:

Victoria Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date

