REVENUE RECOGNITION POLICY DOCUMENT

REVENUE RECOGNITION POLICY

NaviFloor Robotics, Inc.

Effective Date: January 1, 2024

Document Version: 2.0

Last Updated: December 15, 2023

1. PURPOSE AND SCOPE

1. This Revenue Recognition Policy ("Policy") establishes the guidelines and

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2. This Policy applies to all revenue streams of the Company, including:
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Sales of autonomous mobile robots (AMRs)
-
Software licensing for fleet management platforms
-
Maintenance and support services
-
Implementation and integration services
-
Extended warranties and service level agreements
2. REVENUE RECOGNITION PRINCIPLES

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- 1. The Company recognizes revenue based on the five-step model prescribed
- a) Identify the contract with a customer
- b) Identify performance obligations in the contract
- c) Determine the transaction price
- d) Allocate the transaction price to performance obligations
- e) Recognize revenue when performance obligations are satisfied

2. Revenue is recognized when control of promised goods or services transfe

3. SPECIFIC REVENUE RECOGNITION CRITERIA

3.1. Hardware Sales (AMRs)

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1.1. Revenue from AMR sales is recognized when:
-
Physical possession transfers to the customer
-
Customer acceptance criteria are met
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Installation and configuration are complete (if required by contract)
Training obligations are fulfilled (if required by contract)
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1.2. For multi-unit orders, revenue recognition occurs on a per-unit basis as
3.2. Software Licensing

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2.1. Subscription-based licenses:		
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Revenue is recognized ratably over the subscription period		
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Setup fees are recognized over the expected customer relationship period		
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2.2. Perpetual licenses:		
-		
Revenue is recognized upon delivery of access credentials		
-		
Associated implementation services are recognized as delivered		
3.3. Services Revenue		

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3.1. Implementation and Integration:
-
Revenue is recognized using percentage-of-completion method
-
Progress measured based on labor hours incurred versus total estimated hour
-
3.2. Maintenance and Support:
-
Revenue is recognized ratably over the service period
-
Stand-ready obligations are recognized on a straight-line basis
4. CONTRACT MODIFICATIONS

-	- 6 -
1. Co	ntract modifications are evaluated to determine whether they cre
-	
A sep	parate contract
-	
A ter	mination of the existing contract and creation of a new contract
-	
A mo	edification of the existing contract
-	
2. Pri	ce adjustments are allocated to remaining performance obligatio
5. V	ARIABLE CONSIDERATION

1. The Company includes variable consideration in the transaction price only
-
Volume discounts
-
Performance bonuses
-
Service level credits
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Right of return provisions
-
2. Variable consideration is estimated using either:
-
Expected value method
-

Most likely amount method
6. COSTS
-
Contract Acquisition Costs: -
Sales commissions are capitalized when incremental and recoverable -
Amortized over expected customer relationship period
- 2. Contract Fulfillment Costs:
- Capitalized when directly related to a contract

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Amortized based on transfer of goods or services

7. DISCLOSURES AND DOCUMENTATION

- 1. Required documentation for revenue recognition includes:
- Executed contracts and purchase orders
- Customer acceptance certificates
- Installation completion records

Service delivery reports

Time and materials records

2. Revenue recognition decisions must be supported by:
Contract analysis memoranda
Performance obligation identification documentation
Transaction price allocation worksheets

8. POLICY ADMINISTRATION

Variable consideration calculations

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1. The Chief Financial Officer is responsible for:
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Maintaining this Policy
-
Ensuring compliance with accounting standards
-
Approving exceptions to this Policy
-
Training relevant personnel
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2. This Policy shall be reviewed annually and updated as necessary to reflect
-
Accounting standards

- 12 - Business operations
-
Product and service offerings
Internal control requirements
9. EFFECTIVE DATE AND AMENDMENTS
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1. This Policy is effective as of January 1, 2024.
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2. Any amendments to this Policy must be approved in writing by the Chief
APPROVED BY:
ATTROVED DT.

James Wilson

Chief Financial Officer

NaviFloor Robotics, Inc.

Date: December 15, 2023

Chair, Audit Committee

NaviFloor Robotics, Inc.

Date: December 15, 2023

