

# ROBOT SOFTWARE REVENUE RECOGNITION GUIDE

## ROBOT SOFTWARE REVENUE RECOGNITION

**Polar Dynamics Robotics, Inc.**

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### 1. PURPOSE AND SCOPE

- 1. This Revenue Recognition Guide ("Guide") establishes the policies
- 2. This Guide applies to all software-related revenue streams, includin

- - 1 -

BlueCore(TM) Navigation Software Licenses

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Robot Operating System (ROS) Customizations

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Cold Environment Performance Monitoring Software

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Maintenance and Support Subscriptions

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Software Integration Services

## **2. REVENUE STREAMS AND RECOGNITION CRITERIA**

1. Perpetual Software Licenses

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Revenue is recognized upon delivery of license key and transfer of control

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Recognition contingent upon:

- a) Executed license agreement
- b) Delivery of access credentials
- c) Collection reasonably assured
- d) Fixed or determinable fee structure

## 2. Term-Based Subscriptions

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Revenue recognized ratably over subscription term

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Recognition begins upon activation of customer instance

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Minimum subscription term: 12 months

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Auto-renewal terms recognized in subsequent period

### 3. Implementation Services

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Revenue recognized using percentage-of-completion method

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Based on actual hours incurred versus estimated total hours

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Milestone-based recognition for defined deliverables

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Separate performance obligation from software licenses

### **3. MULTI-ELEMENT ARRANGEMENTS**

## 1. Bundle Allocation Methodology

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Standalone selling price hierarchy:

a) Observable standalone sales

b) Market-adjusted pricing

c) Expected cost plus margin

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Allocation based on relative standalone selling prices

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Regular review and update of pricing matrices

## 2. Performance Obligations

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Distinct performance obligations identified at contract inception

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Separate accounting for:

- a) Software licenses
- b) Implementation services
- c) Maintenance and support
- d) Hardware integration components

## **4. SPECIFIC TRANSACTION TYPES**

### **1. BlueCore(TM) Platform Licensing**

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Core navigation software: 60% of license fee recognized upon deployment

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Environmental modules: 30% recognized upon acceptance testing

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Advanced features: 10% recognized upon user training completion

## 2. Cold Storage Integration Projects

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Professional services recognized as delivered

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Hardware interface components recognized upon installation

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Software customization recognized upon customer acceptance

## 3. Maintenance and Support

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Annual contracts recognized ratably

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Premium support recognized as services rendered

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Emergency support billed and recognized as incurred

## **5. CONTRACT MODIFICATIONS**

### **1. Upgrade Considerations**

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Additional licenses treated as separate contracts

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Version upgrades evaluated for distinct performance obligations

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Price adjustments allocated based on standalone selling prices

### **2. Contract Extensions**

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Evaluation of remaining performance obligations

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Prospective recognition of additional terms

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Maintenance renewal pricing at then-current rates

## **6. PAYMENT TERMS AND CONSIDERATIONS**

### **1. Standard Payment Terms**

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50% due upon contract execution

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30% due upon deployment

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20% due upon acceptance

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Net 30 payment terms

## 2. Extended Payment Terms

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Contracts exceeding 12 months require CFO approval

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Interest component separately accounted for

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Collectibility assessed quarterly

## **7. DOCUMENTATION REQUIREMENTS**

### 1. Required Documentation

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Executed customer agreements

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Deployment certification

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Acceptance test results

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Payment history

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Support ticket resolution

## 2. Revenue Recognition Checklist

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Contract review and approval

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Performance obligation identification

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Price allocation documentation

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Recognition timing support

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Collection assessment

## **8. COMPLIANCE AND REVIEW**

### **1. Quarterly Review Process**

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Revenue recognition compliance audit

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Performance obligation completion assessment

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Contract modification impact analysis

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Collection status review

## 2. Annual Procedures

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External auditor review

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Policy updates and communication

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Staff training and certification

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System configuration validation

## **9. AUTHORITY AND AMENDMENTS**

This Guide is maintained by the Finance Department under oversight  
Amendments require written approval from both the CFO and General Counsel

Approved by:

Victoria Wells

Chief Financial Officer

Date: January 1, 2024

[Name]

General Counsel

Date: January 1, 2024

