REVENUE RECOGNITION AND ACCOUNTING STANDARDS

JANUARY 2026

POLICY NUMBER: TMG-SEC-035
APPROVAL AUTHORITY: BOARD OF DIRECTORS

THE MAZI GROUP

1. PURPOSE

This Revenue Recognition and Accounting Standards policy establishes The Mazi Group's framework for recognizing revenue and applying accounting standards consistently across all business units. Proper revenue recognition is critical to accurate financial reporting and compliance with accounting standards for Mazi Beauty, Glam Switch, On The Go Mists, and Upvendo.

2. SCOPE

This policy applies to:

- All revenue transactions
- All brands and business units
- All sales channels (direct, retail, wholesale, subscription)
- All geographic markets
- All employees involved in revenue processes

3. ACCOUNTING FRAMEWORK

The Mazi Group follows:

- US GAAP (Generally Accepted Accounting Principles)
- ASC 606 (Revenue from Contracts with Customers)
- IFRS 15 where applicable for international reporting

4. ASC 606 FIVE-STEP MODEL

Revenue is recognized following the five-step model:

4.1 Step 1: Identify the Contract

- Agreement creating enforceable rights and obligations
- Parties have approved and committed to the contract
- Rights and payment terms are identifiable
- Contract has commercial substance
- Collection is probable

4.2 Step 2: Identify Performance Obligations

- Distinct goods or services promised
- Capable of being distinct
- Separately identifiable from other promises

4.3 Step 3: Determine Transaction Price

- Amount expected to be entitled to
- Consider variable consideration
- Consider time value of money
- Consider non-cash consideration
- Consider consideration payable to customer

4.4 Step 4: Allocate Transaction Price

- Allocate to each performance obligation
- Based on relative standalone selling prices
- Use observable prices when available
- Estimate when not observable

4.5 Step 5: Recognize Revenue

- When (or as) performance obligation is satisfied
- Point in time or over time
- Transfer of control to customer

5. REVENUE STREAMS BY BRAND

5.1 Mazi Beauty / On The Go Mists

Product Sales (Direct-to-Consumer)

- Revenue recognized upon delivery to customer
- Shipping terms determine transfer of control
- Returns estimated and recorded as reduction of revenue

Wholesale Sales

- Revenue recognized upon delivery per shipping terms
- Consider bill-and-hold arrangements
- Promotional allowances reduce revenue

Subscription Sales

- Revenue recognized as products are delivered
- Deferred revenue for prepaid subscriptions

5.2 Glam Switch

Device Sales

- Revenue recognized upon delivery
- Warranty obligations considered
- Returns estimated

Software/App Subscriptions

- Revenue recognized ratably over subscription period
- Deferred revenue for prepaid subscriptions

Bundled Sales (Device + Subscription)

- Allocate transaction price to each performance obligation
- Device revenue at delivery
- Subscription revenue over time

5.3 Upvendo

Hardware Sales

- Revenue recognized upon delivery and installation
- Consider installation as separate performance obligation

Software Subscriptions (SaaS)

- Revenue recognized ratably over subscription term
- Monthly or annual billing
- Deferred revenue for prepaid periods

Implementation Services

- Revenue recognized as services are performed
- Or over time if continuous service

Transaction Fees

- Revenue recognized as transactions occur
- Variable consideration based on volume

6. VARIABLE CONSIDERATION

6.1 Returns and Refunds

- Estimate expected returns
- Record refund liability
- Record asset for right to recover products
- Update estimates each period

6.2 Discounts and Promotions

- Reduce transaction price for discounts
- Estimate variable discounts
- Volume rebates estimated

6.3 Warranties

- Assurance warranties: Cost accrual
- Service warranties: Separate performance obligation

7. CONTRACT COSTS

7.1 Costs to Obtain a Contract

- Capitalize if incremental and recoverable
- Sales commissions may be capitalized
- Amortize over contract period

7.2 Costs to Fulfill a Contract

- Capitalize if directly related and generate resources
- Setup and implementation costs
- Amortize as revenue is recognized

8. SPECIFIC CONSIDERATIONS

8.1 Bill-and-Hold Arrangements

- Revenue only if customer requests arrangement
- Product identified as belonging to customer
- Product ready for transfer
- Cannot use product or direct to another customer

8.2 Consignment Sales

- Revenue when product sold to end customer
- Not when delivered to consignee

8.3 Principal vs. Agent

- Principal: Gross revenue recognition
- Agent: Net revenue (commission)
- Assess control of goods/services

8.4 Gift Cards

- Liability when sold
- Revenue when redeemed
- Breakage recognized proportionally or when remote

9. PERIOD-END PROCEDURES

- Revenue cutoff procedures
- Review of open orders
- Deferred revenue reconciliation
- Returns reserve analysis

- Contract asset/liability review

10. DOCUMENTATION REQUIREMENTS

- Document revenue recognition conclusions
- Maintain contract files
- Support for estimates
- Standalone selling price documentation

11. DISCLOSURES

Required disclosures include:

- Disaggregation of revenue
- Contract balances
- Performance obligations
- Significant judgments
- Contract costs

12. NEW ARRANGEMENTS

- Finance review of new revenue arrangements
- Accounting memo for complex arrangements
- Legal review of contract terms
- Approval before execution

13. ROLES AND RESPONSIBILITIES

13.1 Finance/Accounting

- Apply revenue recognition standards
- Review new arrangements
- Maintain documentation
- Prepare disclosures

13.2 Sales/Business Units

- Communicate deal terms to Finance
- Provide contract documentation
- Notify of changes to arrangements

13.3 Legal

- Review contract terms
- Advise on legal implications

14. RELATED POLICIES

This policy should be read in conjunction with:

- TMG-SEC-033: Financial Controls and Internal Audit Policy
- TMG-SEC-036: Tax Compliance and Planning Policy

15. POLICY REVIEW

This policy shall be:

- Reviewed annually by Finance
- Updated for accounting standard changes
- Approved by CFO and Controller
- Communicated to relevant personnel

16. DEFINITIONS

- **Performance Obligation:** Promise to transfer distinct good or service.
- **Transaction Price:** Amount expected to be entitled to in exchange for goods/services.
- **Contract Asset:** Right to consideration for goods/services transferred.
- **Contract Liability:** Obligation to transfer goods/services for consideration received.
- **Standalone Selling Price:** Price at which entity would sell good/service separately.

For questions about this policy, contact:

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