Example Global Group

Local-file documentation for fiscal year 2025

Example Manufacturing Limited

Fiscal year ended 31 December 2025

Document status	Final illustrative report
Prepared on	31 March 2026
Reporting currency	United States dollars (USD)
Confidentiality	Confidential—tax and legal information

Document control

Field	Detail
Subject entity	Example Manufacturing Limited
Jurisdiction	Republic of Exampleland
Tax identification number	EX-104-778-210
Covered period	1 January–31 December 2025
Accounting standard	Exampleland Financial Reporting Standards
Document purpose	Contemporaneous local-file transfer pricing documentation
Principal guidance considered	Exampleland Income Tax Act and OECD Transfer Pricing Guidelines
Version	1.0—final illustrative report
Owner	Group Tax Department
Retention classification	Confidential; retain with supporting records for the statutory period

Approval record

Role	Name/title	Approval date
Prepared by	Transfer Pricing Manager	20 March 2026
Reviewed by	Group Tax Director	27 March 2026
Approved by	Chief Financial Officer	31 March 2026

Reliance and scope. This report documents the facts and economic analysis assumed for the illustrative controlled transactions. It does not determine customs value, indirect tax, withholding tax, permanent establishment exposure, or deductibility except where those matters directly affect the analysis. Local law prevails if it differs from the OECD guidance.

Contents

List of Tables

1

Executive summary

1.1 Purpose and conclusion

This report evaluates the material controlled transactions entered into by Example Manufacturing Limited (the "Company") during the year ended 31 December 2025. The analysis applies the arm's length principle by identifying the economically significant activities, assets, and risks of the parties; accurately delineating each transaction; selecting the most reliable method; and comparing the outcome with independent market evidence.

On the illustrative facts and financial information set out in this report, the Company's tested outcomes fall within the relevant arm's length ranges. No year-end primary adjustment is indicated. This conclusion is conditional on the intercompany agreements reflecting actual conduct, the accuracy of the segmented accounts, and the continued validity of the benchmark searches.

1.2 Controlled transactions and results

Table 1.1: Summary of controlled transactions and conclusions

Transaction	**Counterparty**	**FY2025 amount**	**Method / PLI**	**Conclusion**
Purchase of finished goods	Example Trading Pte. Ltd.	USD 18,500,000	TNMM / OM	4.6% within 2.8–6.9%
Contract manufacturing services	Example IP S.A.	USD 7,200,000	TNMM / mark-up	7.0% within 4.5–9.2%
Management support services	Example Services B.V.	USD 850,000	Cost plus	6.0% within 4.0–8.0%
Trademark licence	Example IP S.A.	USD 1,200,000	CUP / sales royalty	2.0% within 1.5–3.0%
Intercompany loan	Example Finance Ltd.	USD 5,000,000 principal	CUP / interest rate	6.35% within 5.90–6.80%

1.3 Key observations

- The Company is characterized as a routine distributor for its resale activity and as a limited-risk contract manufacturer for the production activity described in this report.
- Strategic intellectual property, group financing, and global market strategy are controlled outside Exampleland. The Company owns routine local operating assets and maintains local customer relationships.

- The tested-party operating margin is 4.6%, while the contract manufacturing mark-up on total costs is 7.0%.
- The service charge is supported by a benefits test, allocation keys, and exclusion of shareholder and duplicative activities.
- Royalty and loan pricing are supported by transaction-specific comparable uncontrolled price analyses.

1.4 Documentation risk assessment

Table 1.2: Documentation risk assessment

Area	Rating	Response
Transaction completeness	Low	Reconciled ledger accounts to the audited financial statements.
Segmentation	Moderate	Maintain monthly product-line cost-center records and allocation support.
Service benefits	Moderate	Retain deliverables, time records, and recipient confirmations.
Benchmark freshness	Low	Refresh searches at least every three years and financial data annually.
Agreement/conduct consistency	Moderate	Perform annual sign-off by business owners and Group Tax.

2

Group and company overview

2.1 The group

Example Global Group is an illustrative consumer and industrial-products group. It develops products, coordinates third-party manufacturing, performs selected in-house production, and distributes finished goods through regional entities. The group operates under a centralized strategy with local execution.

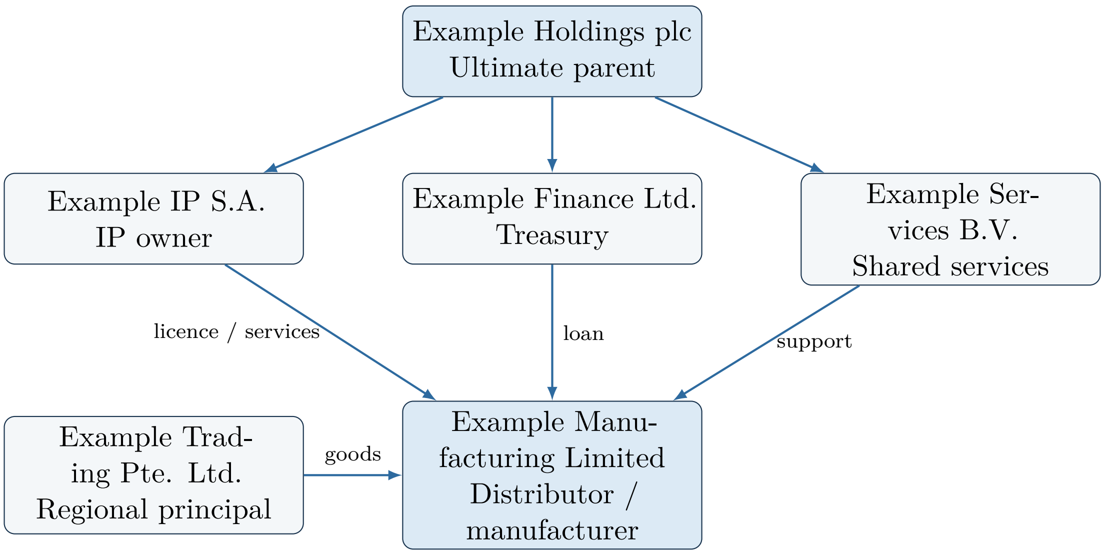

Figure 2.1: Simplified legal and transactional structure

2.2 The Company

The Company was incorporated in Exampleland in 2012 and is wholly owned by Example Holdings plc. Its principal place of business is Example City. It imports and distributes finished consumer products in Exampleland and operates a factory that manufactures a limited product range under instructions from Example IP S.A. At year-end, the Company employed 214 people.

2.3 Management and strategy

The local board approves the annual operating budget and ensures compliance with local law. Group management determines brand strategy, product portfolio, core technology, target return parameters, and major financing policy. The Company decides local customer terms within group-approved limits, manages employees, and executes local marketing campaigns.

Table 2.1: Company profile

Attribute	Description
Core activities	Import, warehousing, local sales, marketing execution, and contract manufacturing
Principal customers	Independent retailers, wholesalers, and industrial users in Exampleland
Geographic market	Exampleland only
Key tangible assets	Factory equipment, warehouse, leasehold improvements, and inventory
Intangibles	Routine local marketing know-how; no ownership of group trademarks or product technology
Senior management	Managing Director, Finance Director, Commercial Director, and Operations Director

2.4 Market conditions

The Exampleland market is characterized by price-sensitive demand, concentrated modern retail channels, foreign-exchange volatility, and competition from regional brands and private labels. During FY2025, nominal sales grew by 8.4%, while higher freight and energy costs constrained gross margins. Management responded through selective price increases, procurement efficiencies, and tighter inventory control. These market factors were considered when evaluating the reliability of multiple-year comparable results.

3

Controlled transactions

3.1 Scope and reconciliation

The population of related-party transactions was obtained from the Company's related-party ledger, matched to counterparty confirmations, and reconciled to the notes to the audited financial statements. Amounts are stated exclusive of indirect tax. The scope includes all material cross-border controlled transactions for FY2025.

Table 3.1: Controlled transaction ledger reconciliation

Category	Expense / purchases	Income	Closing balance
Finished goods	18,500,000	—	2,850,000 payable
Manufacturing services	—	7,200,000	610,000 receivable
Management services	850,000	—	125,000 payable
Trademark royalty	1,200,000	—	300,000 payable
Interest	317,500	—	79,200 payable
Total	**20,867,500**	**7,200,000**	**2,744,200 net payable**

Amounts in USD. The closing loan principal of USD 5,000,000 is presented separately from accrued interest.

3.2 Intercompany agreements

Table 3.2: Intercompany agreement register

Agreement	Parties	Effective date	Principal terms
Distribution agreement	Company / Example Trading Pte. Ltd.	1 January 2024	Product orders; 60-day terms; limited warranty; title on shipment
Manufacturing agreement	Company / Example IP S.A.	1 January 2023	Cost base plus 7%; principal owns specifications and finished goods
Services agreement	Company / Example Services B.V.	1 July 2023	Beneficial shared services; cost allocation plus 6%
Trademark licence	Company / Example IP S.A.	1 January 2024	Non-exclusive local licence; 2% of relevant net sales

Agreement	Parties	Effective date	Principal terms
Loan agreement	Company / Example Finance Ltd.	1 April 2025	Five-year unsecured bullet loan; floating benchmark plus 235 bps

3.3 Accurate delineation

The written contracts were reviewed against interviews, approval matrices, invoices, accounting entries, and evidence of performance. No material difference between contract and conduct was identified for this illustrative analysis. The tested transactions are therefore delineated as: (i) purchases of goods for routine resale; (ii) provision of limited-risk manufacturing services; (iii) receipt of beneficial support services; (iv) a right to use trademarks in the local market; and (v) a five-year unsecured intercompany borrowing.

4

Functional analysis

4.1 Approach

The functional analysis identifies the economically significant functions performed, assets used, and risks assumed (the “FAR analysis”). A party is treated as controlling a risk only when it has the capability and authority to make the relevant risk decisions and actually performs that decision-making. Financial capacity is also considered.

4.2 Functions performed

Table 4.1: Summary of economically significant functions

Function	**Company**	**Trading principal**	**IP owner**	**Service / finance entities**
Product strategy and R&D	Limited	Support	Primary	None
Procurement and supply planning	Local support	Primary	Oversight	None
Manufacturing execution	Primary	None	Specifications	None
Local sales and customer management	Primary	Oversight	Brand policy	None
Strategic marketing / brand development	Execution	Support	Primary	None
Shared corporate support	Recipient	None	None	Primary
Treasury and funding	Cash management	None	None	Primary

4.3 Assets used

The Company uses routine tangible assets, including inventory, production equipment, warehouse facilities, office equipment, and enterprise software access. It does not own unique and valuable intangibles. Group trademarks, product designs, manufacturing know-how, and associated registrations are owned, maintained, and strategically controlled by Example IP S.A.

4.4 Risks assumed and controlled

Table 4.2: Risk control and allocation

Risk	Company's role	Principal risk controller
Market / demand	Manages local execution; protected from exceptional strategic market risk through pricing policy	Trading principal / IP owner
Inventory	Holds resale inventory and bears routine loss within policy limits	Company for routine risk; trading principal for strategic obsolescence
Product liability	Performs quality procedures and bears negligence-related exposure	IP owner controls design; Company controls local execution
Credit	Sets customer limits within policy and bears ordinary bad debts	Company
Manufacturing capacity	Schedules labor and equipment; compensated on costs for agreed idle capacity	Company for execution; IP owner for volume decisions
Foreign exchange	Monitors exposure; material structural exposure is managed centrally	Group treasury
Financing	Maintains covenants and repayment capacity	Group treasury and Company board

4.5 Characterization

For product resale, the Company is a routine distributor: it undertakes local sales and logistics functions, uses non-unique assets, and bears limited but real market, inventory, and credit risks. For manufacturing, it is a limited-risk contract manufacturer that does not own product intangibles or control strategic capacity and product risks. These characterizations apply only to the accurately delineated transactions and do not imply a legal status.

5

Transfer-pricing method selection

5.1 Methods considered

The comparable uncontrolled price (CUP), resale price, cost plus, transactional net margin method, and profit split methods were considered. The most appropriate method was selected for each transaction based on strengths and weaknesses, availability and reliability of information, comparability, and the nature of the transaction.

Table 5.1: Method selection matrix

Transaction	**Selected method**	**Reason selected**	**Principal alternatives rejected**
Finished goods distribution	TNMM	Reliable distributor comparables; net margins tolerate some product differences	No internal CUP; gross-margin accounting inconsistency limits resale price method
Manufacturing services	TNMM / cost-based PLI	Company performs routine production and reliable cost data are available	No comparable product-level CUP; profit split unwarranted
Support services	Cost plus	Routine services and auditable cost pool; third-party mark-up evidence	CUP data not sufficiently comparable
Trademark licence	CUP	External agreements provide observable royalty rates	TNMM is less direct; no parties contribute unique intangibles for profit split
Loan	CUP	Yield can be benchmarked using borrower, currency, term, security, and date	Cost of funds alone does not reflect borrower credit risk

5.2 Tested parties and profit-level indicators

The Company is the tested party for distribution and manufacturing because its activities are less complex and comparable data are available. The distribution PLI is operating profit divided by net sales. The manufacturing PLI is operating profit from the controlled service divided by relevant operating costs.

$$\text{Operating margin} = \frac{\text{Operating profit}}{\text{Net sales}}, \tag{5.1}$$

$$\text{Full-cost mark-up} = \frac{\text{Operating profit}}{\text{Operating costs}}. \tag{5.2}$$

Pass-through costs that do not reflect value-adding functions are excluded only where supported by the facts. Financing items, income tax, and exceptional non-operating items are excluded consistently from tested and comparable results.

6

Economic analysis

6.1 Distribution benchmark

A search for independent distributors of broadly comparable consumer and industrial products was assumed to be performed in a commercial database in March 2026. Companies were screened for independence, geographic relevance, active status, sufficient descriptions, and three years of usable financial data. Persistent loss-makers, companies with material manufacturing or unique intangibles, and companies lacking reliable accounts were rejected.

Table 6.1: Illustrative distributor comparable set

Independent company	FY2023	FY2024	FY2025	Weighted average
Atlas Distribution Co.	3.2%	3.8%	4.0%	3.7%
Beacon Consumer Supply Ltd.	5.1%	5.5%	5.8%	5.5%
Crestline Trading S.A.	2.4%	2.9%	3.1%	2.8%
Delta Market Partners Ltd.	6.3%	6.9%	7.4%	6.9%
Meridian Wholesale plc	4.0%	4.4%	4.8%	4.4%
Northstar Products GmbH	7.0%	7.3%	7.8%	7.4%
Pioneer Sales Group S.A.	3.5%	3.9%	4.1%	3.9%
Summit Distribution B.V.	5.8%	6.2%	6.5%	6.2%
Interquartile range				**2.8%–6.9%**
Median				**5.0%**

The interquartile range is used as an administrative measure of central tendency for the illustrative set; it is not presumed to replace the full range where all observations are equally reliable. The Company's tested result is shown in table 6.2.

6.2 Manufacturing benchmark

The assumed search identified independent contract manufacturers that use routine production assets and do not own unique product intangibles. The three-year weighted-average full-cost mark-up produced a 4.5% lower quartile, 6.8% median, and 9.2% upper quartile. The interquartile observations were 4.5%, 5.2%, 6.1%, 7.4%, 8.3%, and 9.2%.

6.3 Tested financial results

Table 6.2: Segmented tested-party results

Income-statement item	Distribution segment	Manufacturing segment
Net sales / service revenue	60,000,000	7,200,000
Cost of goods / direct and indirect costs	(46,800,000)	(6,729,000)
Gross profit	13,200,000	471,000
Operating expenses	(10,440,000)	—
Operating profit	2,760,000	471,000
PLI	**4.6% operating margin**	**7.0% cost mark-up**
Arm's length range	2.8%–6.9%	4.5%–9.2%
Result	**Within range**	**Within range**

Amounts in USD. Parentheses denote expenses. Segment allocation keys are summarized in table 7.2.

6.4 Support services

The service provider's direct and indirect costs were allocated to recipients using drivers aligned with expected benefit. Shareholder costs, duplicative services, and incidental benefits were excluded. The Company's allocated cost base was USD 801,887; applying a 6% mark-up produces a charge of USD 850,000 after rounding. The assumed external benchmark range of 4.0%–8.0% supports the mark-up.

6.5 Trademark royalty

The CUP analysis assumed a search of licence agreements involving non-exclusive trademark rights in comparable product markets. Agreements were adjusted or screened for territory, exclusivity, bundled rights, stage of brand development, duration, and royalty base. The reliable observations produced an interquartile range of 1.5%–3.0% of relevant net sales, with a median of 2.2%. The Company's 2.0% rate falls within that range.

6.6 Intercompany loan

The loan was analyzed at its 1 April 2025 origination date. The assumed standalone borrower credit assessment, after considering implicit group support, was BB+. Market observations for unsecured five-year BB/BB+ corporate debt in USD, combined with a consistent floating benchmark, produced an arm's length range of 5.90%–6.80%. The contractual 6.35% rate is within the range. The borrower was also projected to retain interest coverage above 3.0 times, supporting the commercial rationality of the borrowing.

6.7 Sensitivity and adjustment policy

If the Company's annual result falls outside a reliable arm's length range, management should first investigate factual or accounting causes. Any adjustment should be transaction-specific, booked before the statutory close where practicable, invoiced consistently with local law, and evaluated for customs, indirect tax, withholding tax, and corresponding-adjustment consequences.

7

Financial information and reconciliation

7.1 Entity-level reconciliation

Table 7.1: Reconciliation from segments to statutory accounts

Item	Distribution	Manufacturing	Statutory total
Revenue	60,000,000	7,200,000	67,200,000
Operating costs	(57,240,000)	(6,729,000)	(63,969,000)
Operating profit	2,760,000	471,000	3,231,000
Net finance expense	—	—	(410,000)
Profit before tax	—	—	2,821,000

Amounts in USD. The statutory total is the sum of the segment ledgers before income tax.

7.2 Allocation keys

Table 7.2: Material allocation keys

Cost category	Allocation key	Rationale
Facilities and utilities	Floor area / metered usage	Reflects space occupation and measured consumption
Human resources and payroll	Headcount	Correlates with service demand
Information technology	Active users / devices	Reflects access and support volume
Finance and general management	Segment revenue and time records	Combines scale with documented management effort
Warehouse expense	Pallet movements	Reflects logistics activity

Management should preserve trial balances, mapping workbooks, allocation-driver reports, and a bridge to the signed statutory financial statements. Changes in allocation policy should be documented and applied consistently to controlled and uncontrolled activities.

8

Compliance and governance

8.1 Annual control framework

1. **Transaction capture.** Finance identifies related parties and maps every related-party account to an agreement and transaction category.
2. **Conduct confirmation.** Business owners confirm that actual responsibilities and risk decisions remain consistent with the agreements.
3. **Quarterly monitoring.** Finance calculates the relevant PLI and forecasts the full-year outcome.
4. **Benchmark maintenance.** Group Tax refreshes comparable financial data annually and the search strategy at least every three years, or earlier if the business changes materially.
5. **Year-end review.** Tax, finance, customs, and legal teams review any proposed adjustment before invoicing and booking.
6. **Documentation.** The local file, master file, agreements, calculations, invoices, and evidence of benefits are retained together.

8.2 Recommended supporting evidence

- signed agreements and amendments in force during the covered period;
- organization charts, job descriptions, and delegated-authority matrices;
- board papers and evidence showing who made significant risk decisions;
- invoices, purchase orders, delivery terms, and counterparty confirmations;
- service catalogues, deliverables, time records, allocation drivers, and benefits-test evidence;
- trademark registrations, licence schedules, and royalty-base reports;
- loan approval papers, credit analysis, cash forecasts, and interest calculations;
- benchmark search strategies, exports, screening notes, and comparable company financials; and
- signed financial statements, trial balances, segment accounts, and reconciliation workbooks.

8.3 Events requiring reassessment

The analysis should be revisited if there is a business restructuring, transfer or development of intangibles, material supply-chain change, sustained loss, significant market disruption, new financing, change in contractual terms, material acquisition, or change in the applicable law or administrative practice.

9

Conclusion

For the year ended 31 December 2025, the illustrative outcomes for the Company's material controlled transactions are within the identified arm's length ranges. The Company earned a 4.6% operating margin from routine distribution and a 7.0% full-cost mark-up from contract manufacturing. The 6.0% support-service mark-up, 2.0% trademark royalty, and 6.35% loan interest rate are also supported by the assumed comparable evidence. Accordingly, no primary transfer pricing adjustment is indicated on the facts presented.

This conclusion must be read with the complete report and is not separable from its assumptions, limitations, and fictional illustrative data. Before practical use, the taxpayer should replace all example facts and amounts, perform current database searches, confirm local-law requirements, and obtain appropriate tax and legal review.

A

Transaction-by-transaction conclusion matrix

Table A.1: Conclusion matrix

Transaction	Tested party	Method / PLI	Arm’s length result	Company result
Finished-goods purchases / resale	Company	TNMM / operating margin	2.8%–6.9%	4.6%; within range
Manufacturing services	Company	TNMM / full-cost mark-up	4.5%–9.2%	7.0%; within range
Support services	Service provider	Cost plus / mark-up	4.0%–8.0%	6.0%; within range
Trademark licence	Licence transaction	CUP / royalty rate	1.5%–3.0%	2.0%; within range
Intercompany loan	Loan transaction	CUP / interest rate	5.90%–6.80%	6.35%; within range

B

Search and screening protocol

The following reproducible protocol applies to the illustrative company benchmarks. Actual database names, release dates, geographic regions, industry codes, and counts should be recorded in the final search memorandum.

1. Define the tested transaction, tested party, years, PLI, and economically relevant geographic market before searching.
2. Search relevant industry classifications and business-description keywords broadly enough to avoid selection bias.
3. Apply objective independence, active-status, availability, and financial data screens. Record both pre- and post-screen counts.
4. Review business descriptions, websites, annual reports, ownership, and financial statements manually.
5. Reject companies with non-comparable functions, material related-party dealings, unique intangibles, persistent losses without explanation, or insufficient data. State a specific reason for every rejection.
6. Calculate PLIs consistently, investigate outliers, consider working capital or accounting adjustments, and retain the unmodified source data.
7. Document the full range, interquartile range where appropriate, median, tested result, sensitivity, and limitations.

C

Key definitions and abbreviations

Term	Meaning in this report
Arm's length principle	Conditions between associated enterprises should be consistent with those that would have been agreed between independent enterprises in comparable circumstances.
CUP	Comparable uncontrolled price method.
FAR analysis	Analysis of functions performed, assets used, and risks assumed and controlled.
Interquartile range	Range from the 25th to the 75th percentile of observations, calculated under the applicable administrative convention.
OECD Guidelines	OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, as updated.
Operating profit	Revenue less operating expenses, excluding financing items, income tax, and non-operating items.
PLI	Profit-level indicator used in a one-sided method.
Tested party	Party to which a one-sided method can be applied most reliably and for which reliable comparables can be found.
TNMM	Transactional net margin method.

D
Source documents

Bibliography

[1] Organisation for Economic Co-operation and Development, *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022*, OECD Publishing, Paris, 2022.

[2] Organisation for Economic Co-operation and Development, *Transfer Pricing Documentation and Country-by-Country Reporting, Action 13—2015 Final Report*, OECD Publishing, Paris, 2015.

[3] United Nations, *United Nations Practical Manual on Transfer Pricing for Developing Countries*, third edition, New York, 2021.

[4] Republic of Exampleland, *Income Tax Act and Transfer Pricing Regulations*, illustrative citation used solely for this fictional report.

End of report — Example Manufacturing Limited — FY2025