

SSRO

Single Source
Regulations Office

Activity type factsheet Construction

Under the Defence Reform Act 2014, the SSRO must provide the Secretary of State with its assessment of the appropriate rates used to determine the contract profit rate for pricing qualifying defence contracts and qualifying sub-contracts. Part of the methodology is the categorisation of comparator companies in to four activity types.

- Develop and Make
- Provide and Maintain
- Ancillary Services
- Construction

The results of these groups are separately analysed and this fact sheet describes the Ancillary Services group.

The baseline profit rate combines results from “Develop and Make” and “Provide and Maintain”, as set out in the *Recommendation Factsheet*. For further information on the methodology used to calculate these rates please see the *Single Source baseline profit rate, capital servicing rates and funding adjustment methodology*.

Construction

Companies undertaking comparable activities considered as ‘construction’ are expected to deliver services in relation to the construction of buildings or other structures at fixed locations. Companies could provide such services either on a contract basis with designs and specifications received or using their own designs. Comparable companies may be responsible for the management of the construction project, and are likely to bear contract risk, procurement risk, staff risk and some quality control risk in respect of these activities. They are not expected to bear any significant property price risk in respect of these activities.

Profit on cost of production

	2016/17	2017/18	2018/19	2019/20	2020/21
Underlying rate (unadjusted for capital servicing)	4.58%	4.00%	3.92%	4.02%	3.34%
Capital servicing adjustment	-0.43%	-0.39%	-0.43%	-0.52%	-0.27%
Underlying rate	4.15%	3.61%	3.49%	3.50%	3.07%
Three-year rolling average	8.32%	5.88%	3.75%	3.53%	3.35%

Note: The capital servicing adjustment accounts, at an aggregate level, for different levels of capital employed across the companies in the index and so sets a baseline upon which Step 6 of the contract profit rate applies.

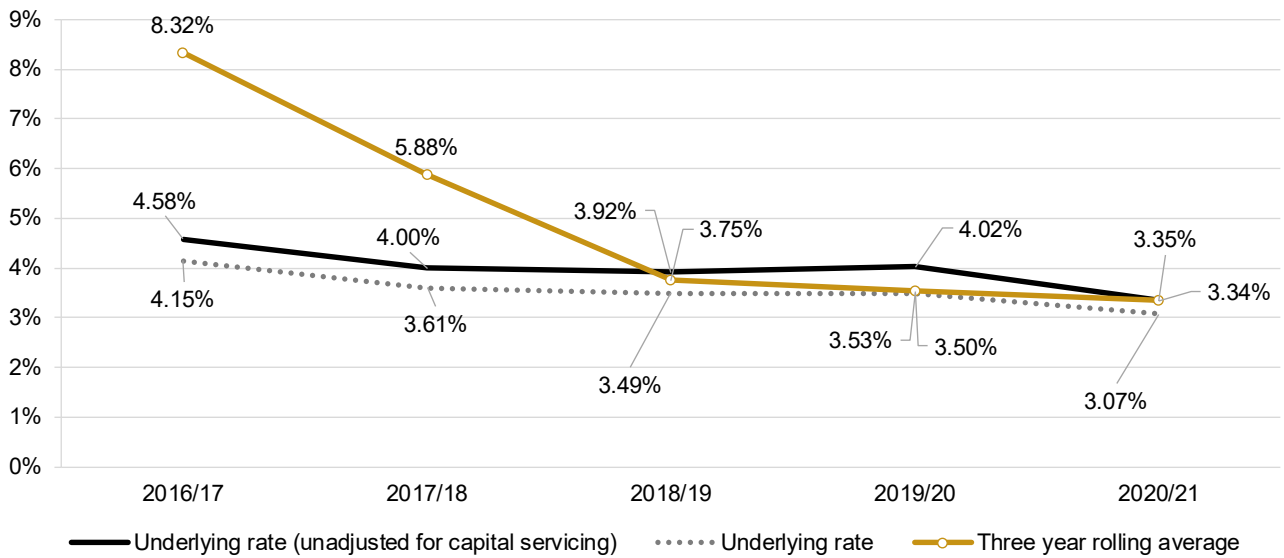
The pre-2016/17 underlying rates used for the three-year average were calculated using the Review Board’s methodology, which were not specific to this activity type. 2014/15: 10.92%, 2015/16: 9.88%.

Data sources

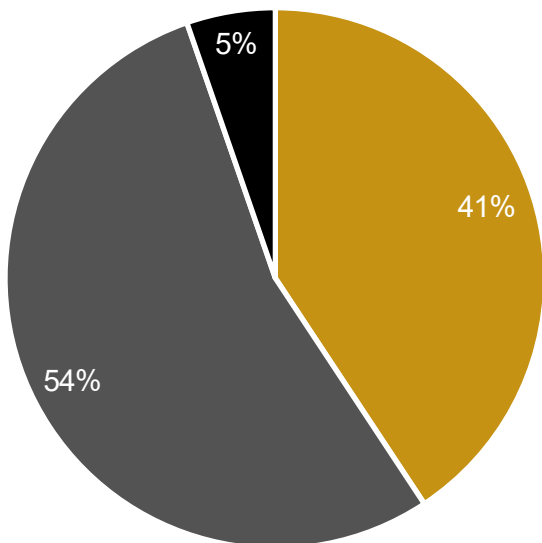
For further information on the data selection approach please see section 7 of the *Single Source baseline profit rate, capital servicing rates and funding adjustment methodology*. A full search of the Orbis database¹ was carried out on 11 November 2019 on data update number 189002 using software version 189. The financial data for the calculation was extracted from Orbis at the same time.

¹ <https://www.bvdinfo.com/en-gb/our-products/data/international/orbis>

Median capital servicing adjusted return on cost of production

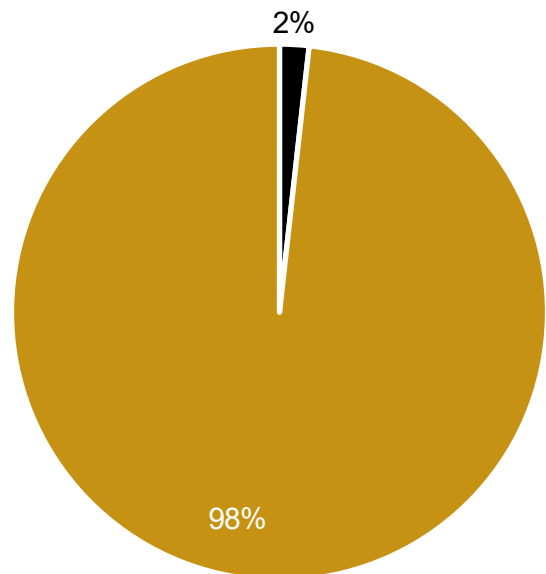


Proportion of Companies by country



- Western Europe excluding United Kingdom
- United Kingdom
- North America

Proportion of companies with defence keyword



- Defence
- Other

Supplementary statistics

Number of companies	130
<i>of which profit making</i>	113
Aggregate turnover	£170
Total capital employed (CE)	£8
Average company CP:CE ratio	21.14

Source: Orbis (Cash figures shown in GBP Billions)

Names of companies in the index

3B Construction LTD *	Drange Maskin AS	J P Dunn Construction Limited	Seierstad Holding AS
A. & B. Engineering (Mechanical Service Division) Limited	Elektro AS	J. & P. Avax S.A.	Setten Genesis S.P.A.
Aasen & Oevrelid AS	Emcor Group INC	J.Wareing & SON (Wrea Green) Limited	Severfield PLC
ADF Group INC *	Entreprises de Montages en General Jean Boutique	Jarvis Group Limited *	Simpson (York) Holdings Limited
Aecom	Evadx Limited	Jerram Group Limited	Skanska AB
Aecon Group INC	Fauskebygg Holding AS	JPH Capital Limited	Skorve Gruppen AS *
AF Gruppen ASA	Feltham Group Limited	Kaare Mortensen Oslo/Akershus AS *	SOC Ouvriers Plombiers Couvreurs Zingueu *
Andrew Scott Ltd.	Fira Group Oy *	Koninklijke BAM Groep NV	Societe Groupe 1000
Anibal de Oliveira Cristina, LDA	Fluor Corp	Kvia Entreprenoer AS	Sovec Entreprises *
Aro Yhtiöt Oy	Forth Holdco Limited	Lapin Teollisuusrakennus Oy	Spritestore Limited
Ashe Group Holdings Limited	Gaiger Brothers Limited *	LES Macons Parisiens	STEINER BAU Gesellschaft m.b.H. *
B & R - Bouw en Renovatie*	Gijbels Group *	Life Build Solutions LTD	Steve Hoskin Construction Limited
Barnwood Group Limited	Glasgiven Contracts Limited *	Lindum Group Limited	Stuart Olson Inc.
BETONMASTHæHRE AS*	Goldfoster Limited	Lonsdale Holdings Limited	Sunninghill Construction CO. Limited
Bird Construction INC *	Groep VAN Roey	Lowe Holdings Limited	Syljuaasen Gruppen AS
Blenheim House Construction Limited	Grupo Empresarial SAN Jose SA	M Y J Gruas SA	Synergy Civil Engineering Limited
Bouygues SA	Grp WRW CYF	M.B.M. S.P.A.	T Clarke Public Limited Company
Bowmer and Kirkland Limited	H. G. Construction (Holdings) Limited	M.P.B. Structures LTD	THE Castle Building Services Organisation Limited
Bravida Holding AB	H.Malone and Sons Limited	Magnus M Thunestvedt AS	Tolent PLC
Brims Building Group Limited	Haandverkskompaniet AS	Martifer Sgps S.A.	Tonroe Group Limited
BSG Civil Engineering Limited	Haley Securities Limited	Masterson Holdings Limited	Tsquared Group Limited
Buckingham Group Contracting Limited	Hallmaker Group AS	MCS Group Limited	Tutor Perini Corporation
Byggpartner I Dalarna Holding AB	Haneseth Gruppen AS	Meier Tobler Group AG	Vanoncini S.P.A.
Cara Holdings Limited	Hardwicke Investments Limited	Mitchellson Formwork & Civil Engineering Limited	Veidekke ASA
Carefoot PLC *	Harringtons Builders PLC	Modebest Group Holdings Limited	Vinci
Caunton Holdings Limited	Harris Construction Limited	Morgan Sindall Group PLC	Vopi 4 SA
Champion Groundworks Limited	Henry Group (NI) Limited	Oliver Connell and SON Limited	Wates Group Limited
Clegg Holdings Limited	Herpain	Peab AB	Westcliffe Holdings Limited
CMF Structures	Highgrove Group PLC	Puentes Y Calzadas Grupo de Empresas SA	William Hare Group Limited
Cobelba - Sociedade de Construcao Civil, S.A.	Hollingsworth Bros. (UK) Limited	Putkiwuorio Oy	Williams Tarr Holdings LTD*
Conlon Holdings Limited	Imasa Ingenieria Y Proyectos SA	Rougier et Fils	Winvic Group Limited
Coulson Group Limited	Implenia AG	Seddon Group Limited	WYN Construction Limited
Darke & Taylor (Holdings) Limited	Irem S.P.A.		

* Indicates that the company is a loss-maker in the year. The data for loss-makers are not included in the 2020/21 assessment, but the companies will be taken forward for consideration next year.