

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 into five activity types:

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

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

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

	2019/20	2020/21	2021/22	2022/23	2023/24
Underlying rate (unadjusted for capital servicing)	4.02%	3.34%	3.18%	4.03%	4.54%
Capital servicing adjustment	-0.52%	-0.27%	-0.17%	-0.29%	-0.30%
Underlying rate	3.50%	3.07%	3.01%	3.74%	4.24%
Rolling average*	3.53%	3.35%	3.19%	3.33%	3.44%

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.

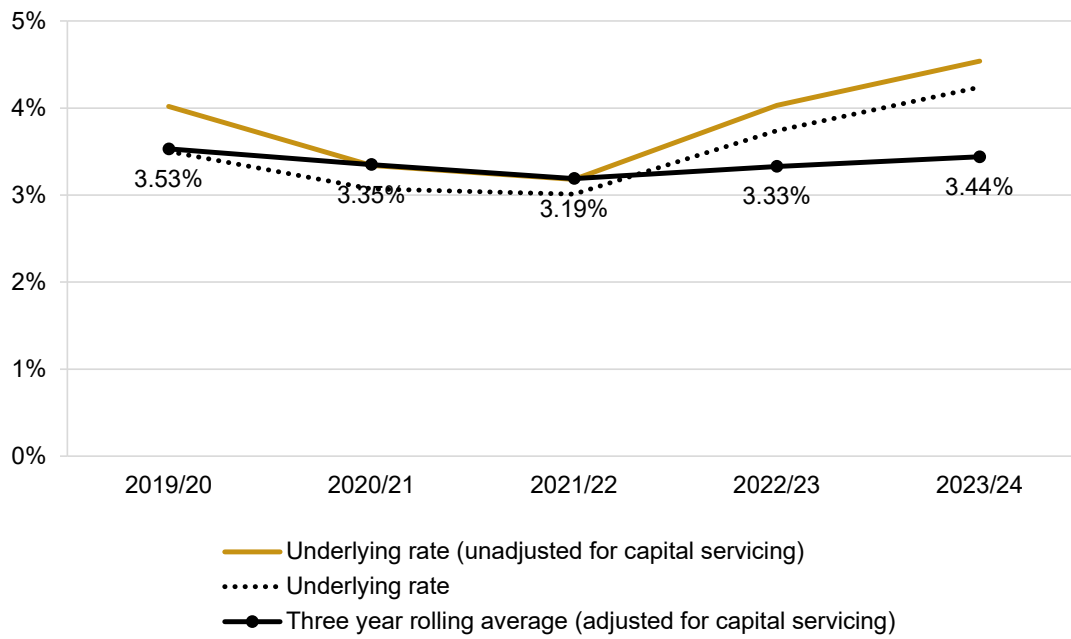
* A four-year average was used for 2022/23; a three-year average for pre-2022/23 and a three year average (excluding 2022/23 underlying rate) for 2023/24.

The pre-2019/20 underlying rates used for the three-year average were: 2018/19: 3.49% and 2017/18: 3.61%.

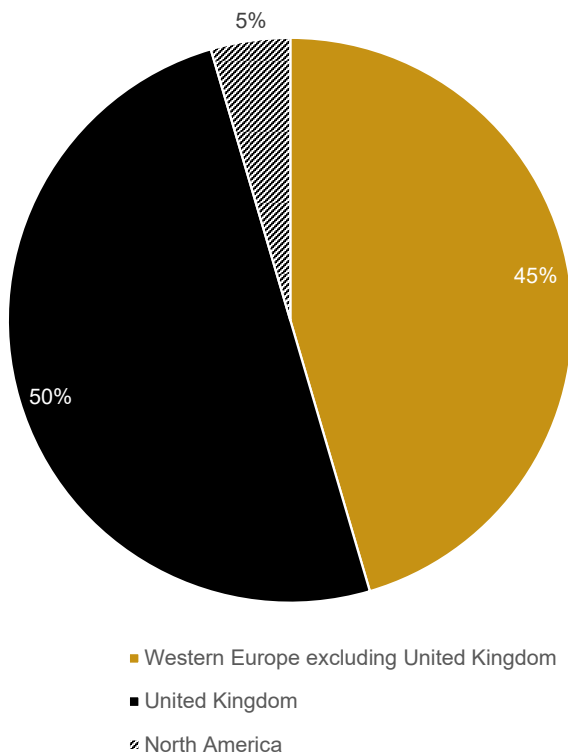
Data sources

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 company update search of the [Orbis database](#) was carried out on 1 November 2022 on data update number 329001 using software version 329. The financial data for the calculation was extracted from Orbis at the same time.

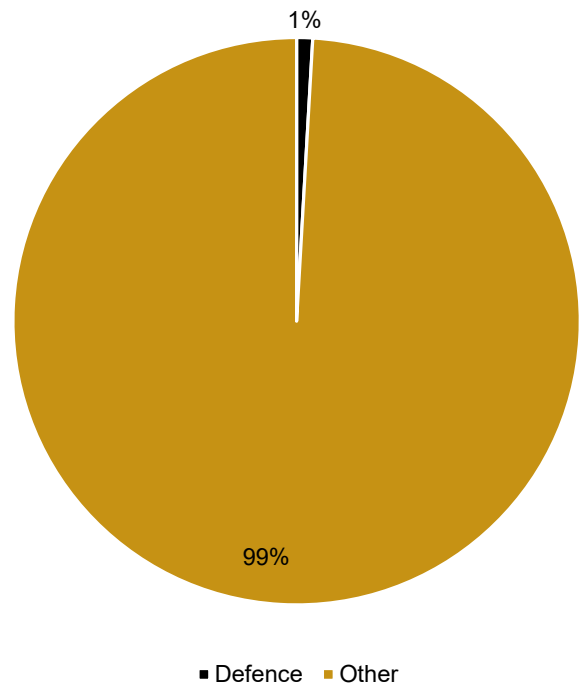
Median capital servicing adjusted return on cost of production



Proportion of companies by country



Proportion of companies with defence keyword



Supplementary statistics

Number of companies	129
<i>of which profit making</i>	110
Aggregate turnover (£billions)	£170
Total capital employed (CE) (£billions)	£6
Average company CP:CE ratio	29.20

Source: Orbis (Cash figures shown in rounded GBP Billions)

Names of companies in the index

3B Construction LTD	Edimarante - Sociedade de Construcoes, S.A. (J)	(J)	Skanska AB
A D BLY Construction Limited (J)	Elektro AS (J)	Kier Group PLC	Solis Techniki S.A. (J)
ADF Group INC	Emcor Group INC	Knox & Wells Holdings Limited (J)	Sorgem Societe D Economie Mixte du VAL D Orge * (J)
Aecon Group INC	Emery Brothers Limited * (J)	Koninklijke BAM Groep NV	SRV Yhtiot OYJ * (J)
AF Gruppen ASA	Fatecsa Obras SA (J)	Landmark Groundworks Limited (J)	stahl + verbundbau gesellschaft fuer industrielles bauen m.b.H. (J)
Alpha Construction (Topco) Limited (J)	Feltham Group Limited	Lareco Infra (J)	STEINER BAU Gesellschaft m.b.H.
Andrew Scott Ltd.	Fordy Thompson (Holdings) Limited (J)	LES Macons Parisiens	Stenseth & RS Holding AS (J)
Ashe Group Holdings Limited	Foundation Piling (Holdings) Limited * (J)	Lindum Group Limited	Steve Hoskin Construction Limited
B&G Armatures * (J)	Galliford TRY Holdings PLC	Lonsdale Holdings Limited *	Strabag SE (J)
Balfour Beatty PLC (J)	Gcbat (J)	LTR-Rakennus Oy	Subsea 7 SA * (J)
Bermar Building Company Limited (J)	GEK Terna Holding Real Estate Construction S.A. (J)	M R Stephenson Limited (J)	Tclarke PLC
Billington Holdings PLC (J)	GHI Contracts Holdings Limited (J)	M.P.B. Structures LTD	THE Castle Building Services Organisation Limited
Bird Construction Inc.	Glasgiven Contracts Limited	Manchester and Cheshire Construction Company Limited (J)	Tolent PLC * (J)
Bouygues (J)	Groupe 1000 * (J)	Marshall Holdings Limited (J)	Tonroe Group Limited
Bowmer and Kirkland Limited	Grupo Empresarial SAN Jose S.A.	Martifer Sgps S.A.	TOR Entrepreneur AS (J)
Bravida Holding AB	Haandverkskompaniet AS	Masterson Holdings Limited	Tutor Perini Corporation
Bridgetown Holdings Limited (J)	Haley Securities Limited	Mayo Civil Engineering Limited (J)	VAN Huele Gebroeders (J)
Byggpartner I Dalarna Holding AB	Hambleton Steel Group LTD (J)	Mitchellson Formwork & Civil Engineering Limited	Varden Gruppen AS (J)
Carefoot PLC	Hanover Electrical Contractors Limited * (J)	Mjoendalen MUR OG Puss AS (J)	Veidekke ASA
Carmac (Building & Civil Engineering) Limited (J)	Hardwicke Investments Limited	Morgan Sindall Group PLC	Vinci
Chap (Holdings) Limited * (J)	Harper Group Management Limited (J)	Northern Bear PLC * (J)	Vopi 4 SA (J)
Chepstow Plant International Limited (J)	Highgrove Group PLC	Nouveaux Batisseurs Associes (J)	Wates Group Limited
Chrysalis (J)	I.Co.P. S.P.A. Societa' Benefit * (J)	O.T. SRL (J)	Westcliffe Holdings Limited (J)
Clegg Holdings Limited	Implenia AG	OBM Construction (J)	William Hare Group Limited *
Cobelba - Sociedade de Construcao Civil, S.A. (J)	Impresa Tonon S.P.A. (J)	Ohob Holdings Limited (J)	Winthrop Technologies LIMITED (J)
Compania Levantina de Edificacion Y Obras Publicas S.A. * (J)	Innovate Corp * (J)	Oliver Connell and SON Limited	Winvic Group Limited (J)
Conlon Holdings Limited	Instalco AB (J)	Peab AB	Woodvale Construction Company Limited (J)
Consti OYJ (J)	Jackson, Jackson & Sons Limited (J)	Porr AG (J)	WYN Construction Limited
Constructa AS (J)	John Weaver (Holdings) Limited (J)	Prestibat (J)	
Costa & Carreira, LDA (J)	K 21 Entreprenad AB (J)	Putkiwuorio Oy	
Dobloug Holding AS (J)	K A Watts Plumbing & Heating Limited (J)	Rakennusliike J. Malm Oy (J)	
Duro Felguera SA * (J)	Kaam Holdings Limited (J)	Rakennuspetaja Oy (J)	
E. M. Pekkinen Oy * (J)	Kaj Ove Madsen A/S Aarhus (J)	Renelec Group Limited (J)	
Ecosoer Holding AS * (J)	Kaybridge Construction (Barnet) Limited	Simpson (York) Holdings Limited (J)	

* Indicates that the company is a loss-maker in the year.

(J) Indicates a company which was not in the activity group last year, but has been added this year.