

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 and capital servicing rates methodology*.

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.

Construction

Profit on cost of production

	2020/21	2021/22	2022/23	2023/24	2024/25
Underlying rate (unadjusted for capital servicing)	3.34%	3.18%	4.03%	4.54%	3.68%
Capital servicing adjustment	-0.27%	-0.17%	-0.29%	-0.30%	-0.18%
Underlying rate	3.07%	3.01%	3.74%	4.24%	3.50%
Rolling average*	3.35%	3.19%	3.33%	3.44%	3.58%

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.

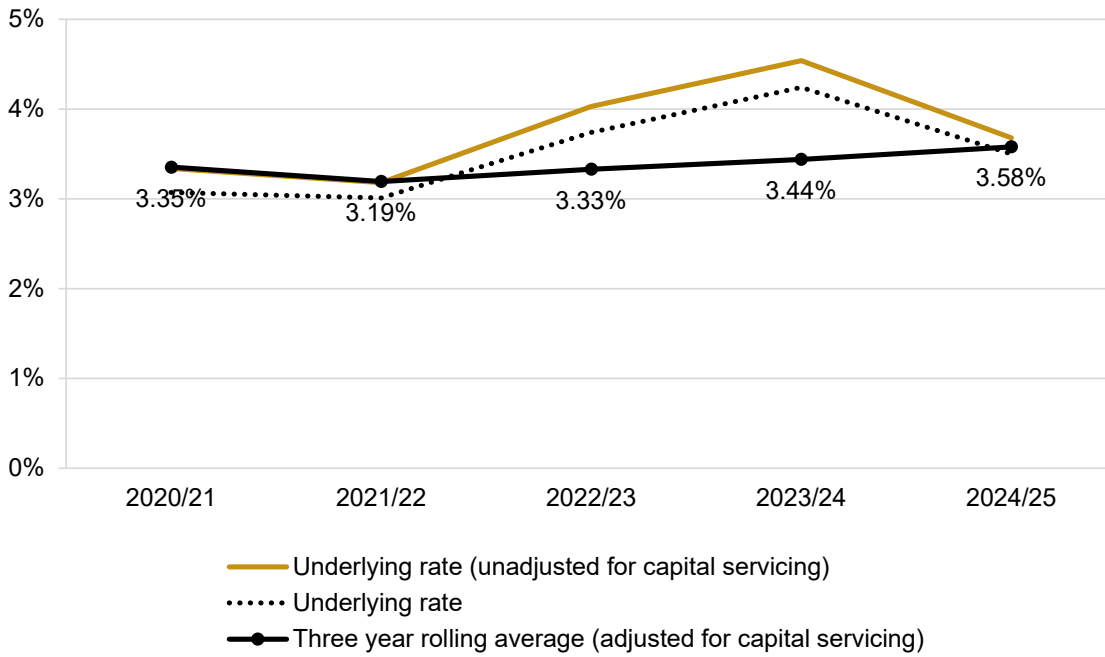
* A four-year average was used for 2022/23; a three-year average for pre-2022/23 and a three-year average (excluding 2022/23 underlying rate) for 2023/24 and 2024/25.

The pre-2020/21 underlying rates used for the three-year average were: 2018/19: 3.49% and 2019/20: 3.50%.

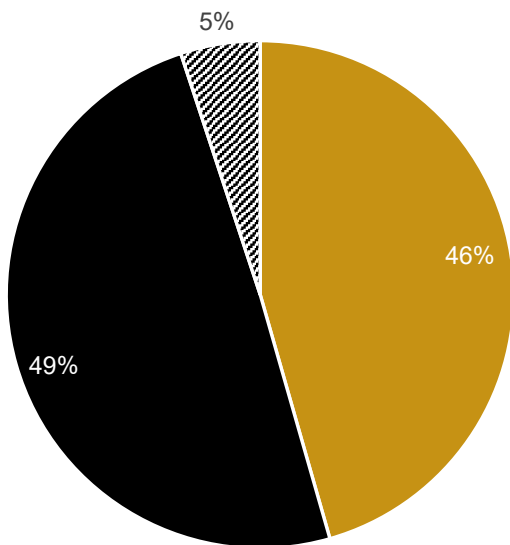
Data sources

For further information on the data selection approach please see section 7 of the *Single source baseline profit rate and capital servicing rates methodology*. A company update search of the [Orbis database](#) was carried out on 1 November 2023 on data update number 342001 using software version 342. The financial data for the calculation was extracted from Orbis at the same time.

Median capital servicing adjusted return on cost of production

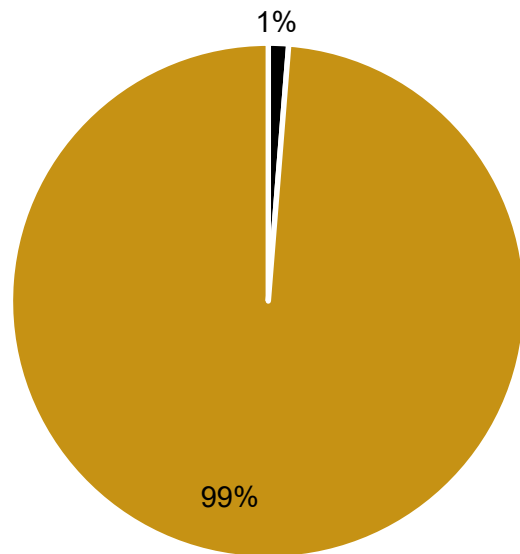


Proportion of companies by country



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

Proportion of companies with defence keyword



- Defence
- Other

Supplementary statistics

Number of companies	91
<i>of which profit making</i>	79
Aggregate turnover (£billions)	£155
Total capital employed (CE) (£billions)	£4.0
Average company CP:CE ratio	36.02

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

Names of companies in the index

3B Construction LTD	Glasgiven Contracts Limited	Renelec Group Limited
ADF Group INC	Groupe 1000	Saarco AS
Aecon Group INC	Grupo Empresarial SAN Jose S.A.	Simpson (York) Holdings Limited
AF Gruppen ASA	Haandverkskompaniet AS	Skanska AB
Ashe Group Holdings Limited	Haley Securities Limited	Sorgem Societe D Economie Mixte du VAL D Orge *
B&G Armatures	Hardwicke Investments Limited *	stahl + verbundbau gesellschaft fuer industrielles bauen m.b.H.
Balfour Beatty PLC	Highgrove Group PLC *	Steve Hoskin Construction Limited
Bermar Building Company Limited	Implenia AG	Strabag SE
Billington Holdings PLC	Jackson, Jackson & Sons Limited	Subsea 7 SA
Bird Construction Inc.	John Weaver (Holdings) Limited	Tclarke PLC
Bowmer and Kirkland Limited	K 21 Entreprenad AB	THE Castle Building Services Organisation Limited
Bravida Holding AB	Kaj Ove Madsen A/S Aarhus	TOR Entreprenoer AS
Bridgetown Holdings Limited	Kier Group PLC	Tutor Perini Corporation *
Byggpartner I Dalarna Holding AB *	Knox & Wells Holdings Limited	VAN Huele
Chap (Holdings) Limited	Koninklijke BAM Groep NV	Varden Gruppen AS
Chrysalis	Lareco Infra	Veidekke ASA
Cobelba - Sociedade de Construcao Civil, S.A.	Lindum Group Limited	Vinci
Compania Levantina de Edificacion Y Obras Publicas S.A.	Lonsdale Holdings Limited *	Wates Group Limited
Conlon Holdings Limited	M R Stephenson Limited	Westcliffe Holdings Limited
Consti OYJ	M.P.B. Structures LTD	William Hare Group Limited *
Dobloug Holding AS *	Mace Finance Limited (J)	Winvic Group Limited
Duro Felguera SA *	Martifer Sgps S.A.	WYN Construction Limited
E. M. Pekkinen Oy	Mitchellson Formwork & Civil Engineering Limited	
Ecosoer Holding AS	Morgan Sindall Group PLC	
Edimarante - Sociedade de Construcoes, S.A.	Northern Bear PLC	
Elektro AS	Nouveaux Batisseurs Associes	
Emcor Group INC	O.T. SRL	
Emery Brothers Limited	OBM Construction *	
EW Beard (Holdings) Limited (J)	Ohob Holdings Limited	
Feltham Group Limited	Oliver Connell and SON Limited	
Fordy Thompson (Holdings) Limited	Peab AB	
Foundation Piling (Holdings) Limited *	Porr AG	
Galliford TRY Holdings PLC	Putkiuorio Oy	
GHI Contracts Holdings Limited	Rakennusliike J. Malm Oy *	
	Rakennuspetaja Oy	

* 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.