

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 four activity types:

- Develop, Make and Support¹
- Ancillary Services
- Construction
- Information Technology Services

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

For further information on the methodology used to calculate these rates please see the *Single source baseline profit rate and capital servicing rates 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

	2021/22	2022/23	2023/24	2024/25	2025/26
Underlying rate (unadjusted for capital servicing)	3.18%	4.03%	4.54%	3.68%	3.67%
Capital servicing adjustment	-0.17%	-0.29%	-0.30%	-0.18%	-0.36%
Underlying rate	3.01%	3.74%	4.24%	3.50%	3.31%
Rolling average ²	3.19%	3.33%	3.44%	3.58%	3.68%

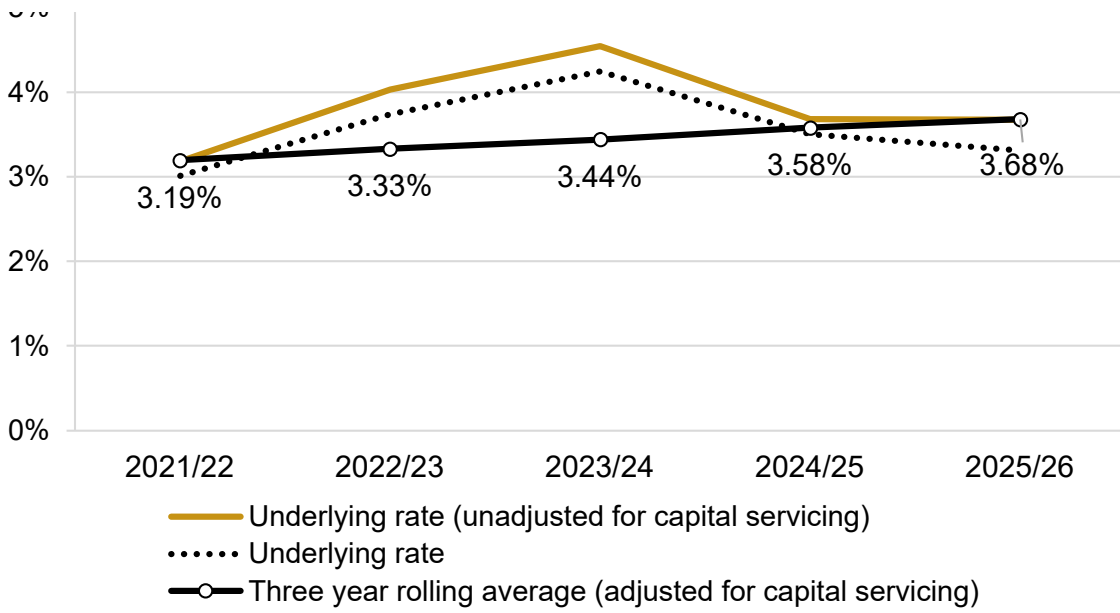
Note: The capital servicing adjustment accounts, at an aggregate level, for different levels of capital employed across the companies in the index and so sets a baseline upon which step 4 of the contract profit rate applies.

Data sources

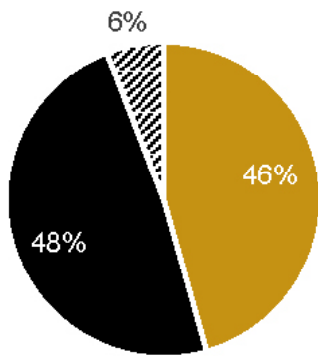
For further information on the data selection approach please see section 7 of the *Single Source baseline profit rate and capital servicing rates methodology*. A company update search of the Orbis database³ was carried out on 1 November 2024 on data update number 354001 using software version 354. The financial data for the calculation was extracted from Orbis at the same time.

- 1 The 'Develop, Make and Support' activity type replaces the previous activity types of 'Develop and Make' and 'Provide and Maintain'. Further information can be found in the published Q&A document.
- 2 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 onwards. The pre-2021/22 underlying rates used for the three-year average were: 2019/2020: 3.50% and 2020/21: 3.07%.
- 3 <https://www.moodys.com/web/en/us/capabilities/company-reference-data/orbis.html>

Median capital servicing adjusted return on cost of production

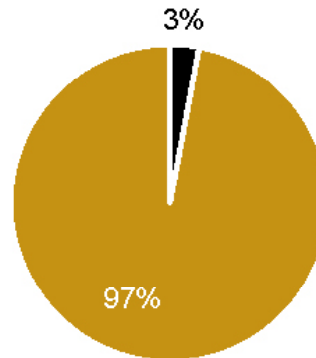


Proportion of companies by country



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

Proportion of companies with defence keyword



- Defence
- Other

Supplementary statistics

Number of companies	77
of which profit making	68
Aggregate turnover (£billions)	210
Total capital employed (CE) (£billions)	7
Average company CP:CE ratio	29.57

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

Names of companies in the index

3B Construction LTD	Elektro AS	Lindum Group Limited	Skanska AB
ADF Group INC	Emcor Group INC	M R Stephenson Limited	Sorgem Societe D Economie Mixte du VAL D Orge *
Aecon Group INC	EW Beard (Holdings) Limited	M.P.B. Structures LTD	stahl + verbundbau gesellschaft fuer industrielles bauen m.b.H.
AF Gruppen ASA	Feltham Group Limited	Mace Finance Limited	Strabag SE
Balfour Beatty PLC	Fordy Thompson (Holdings) Limited	Martifer Sgps S.A.	Subsea 7 SA *
Bermar Building Company Limited	Foundation Piling (Holdings) Limited	Mitchellson Formwork & Civil Engineering Limited *	Tclarke PLC
Billington Holdings PLC	Galliford TRY Holdings PLC	Morgan Sindall Group PLC	TOR Entreprenoer AS
Bird Construction Inc.	Groupe 1000	NG Bailey Group Limited (J)	Tutor Perini Corporation *
Bouygues (J)	Grupo Empresarial SAN Jose S.A.	Northern Bear PLC	VAN Huele *
Bowmer and Kirkland Limited	Haandverkskompaniet AS	Nouveaux Batisseurs Associes	Varden Gruppen AS
Bravida Holding AB	Haley Securities Limited	Ohob Holdings Limited	Veidekke ASA
Bridgetown Holdings Limited	Hardwicke Investments Limited *	Oliver Connell and SON Limited	Vinci
Byggpartner I Dalarna Holding AB *	Harper Group Management Limited	Peab AB	Wates Group Limited
Chrysalis *	Highgrove Group PLC *	Porr AG	Westcliffe Holdings Limited
Cobelba - Sociedade de Construcao Civil, S.A.	Implenia AG	Putkiwuorio Oy	William Hare Group Limited
Conlon Holdings Limited	John Weaver (Holdings) Limited	Rakennusliike J. Malm Oy	Winvic Group Limited
Consti OYJ	K 21 Entreprenad AB	Rakennuspetaja Oy	WYN Construction Limited
Dobloug Holding AS	Kier Group PLC	Renelec Group Limited	
Ecosoer Holding AS	Lareco Infra	Royal BAM Group NV	
Edimarante - Sociedade de Construcoes, S.A.	LES Macons Parisiens	Simpson (York) Holdings Limited	

* 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.