

## Recommendation factsheet

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. For further information on the methodology used to calculate these rates please see the [Single Source baseline profit rate and capital servicing rates methodology](#).

### Baseline Profit Rate

The baseline profit rate is step 1 of the four-step process for determining the contract profit rate for a qualifying defence contract.

The baseline profit rate is calculated from an index of public and private companies. The underlying rate is the median capital servicing adjusted profit on cost of production of the group. The baseline profit rate is the rolling average of the underlying rate.

	2022/23 <sup>1, 2</sup>	2023/24	2024/25	2025/26	2026/27
Underlying rate (unadjusted for capital servicing) <sup>3</sup>	8.24%	9.50%	9.31%	10.60%	11.68%
Capital servicing adjustment	-0.89%	-1.06%	-1.22%	-1.46%	-1.61%
Underlying rate	7.35%	8.44%	8.09%	9.14%	10.07%
Baseline profit rate recommended by the SSRO; rolling average of the underlying rate <sup>4</sup>	8.07%	8.29%	8.24%	8.56%	<b>9.10%</b>

1 The 2022/23 to 2024/25 rates are based on the composites of the 'Develop and Make' and 'Provide and Maintain' activity groups; while the 2025/26 rates onwards are calculated from the 'Develop, Make and Support' activity group. The 2026/27 baseline profit rate assessment is calculated as a three-year average of the FY2024<sup>^</sup> and FY2023 'Develop, Make and Support' underlying rates, and the historical FY2022 composite underlying rate.

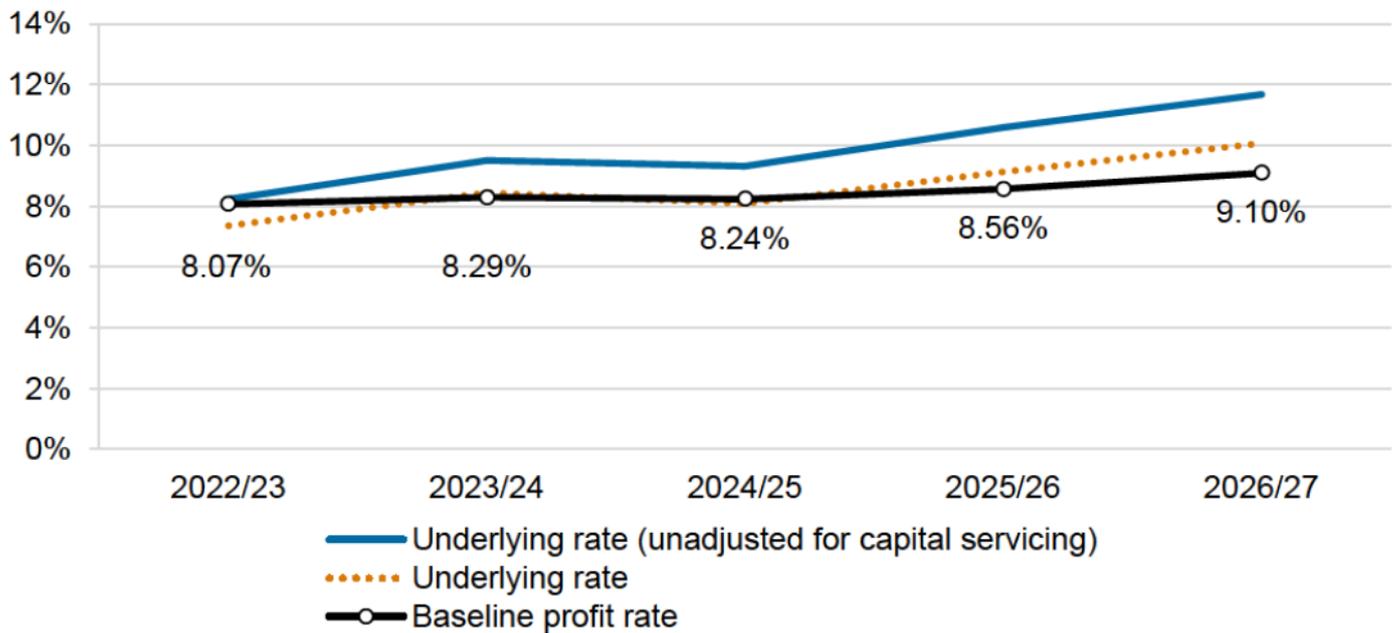
2 Shown are the 2022/23 rates recommended by the SSRO. The Secretary of State determined the BPR for 2022/23 as an average of the composite underlying rates calculated by the SSRO for the three years prior to 2021 (8.50%, 8.23%, and 8.19%), keeping the BPR at 8.31 per cent.

3 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.

4 A four-year average was used for 2022/23; a three-year average for pre-2022/23 and a three-year average (excluding the 2022/23 underlying rate) for 2023/24 onwards. The pre-2022/23 underlying rates used for the three-year average were: 2020/21: 8.23%, 2021/22: 8.19%.

<sup>^</sup> FY2024 means the latest year ending on or before 31 March 2025 that is addressed by the financial statements of each comparator company. For most comparator companies this is the year ended 31 December 2024, but some company financial statements cover different time periods, for example the year ended 31 March 2025, or the year ended 30 June 2024.

## Median capital servicing adjusted return on cost of production



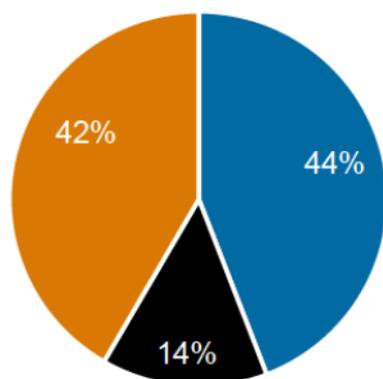
### Baseline profit rate activity types

The underlying rate for 2025/26 onwards is calculated using companies in the 'Develop, Make & Support' activity group. Companies undertaking comparable activities considered as 'Develop, Make & Support' are expected to engage in manufacturing and the design; and development contributing to that process and delivery of services to ensure the availability of an asset through repair and servicing to third party equipment. This would therefore not include manufacturing on behalf of a hiring firm that supplies the design, or those solely undertaking research or design work with no associated manufacturing. Where development activities do not seek to result in a novel or differentiated product the company is less likely to be considered comparable.

### Data sources

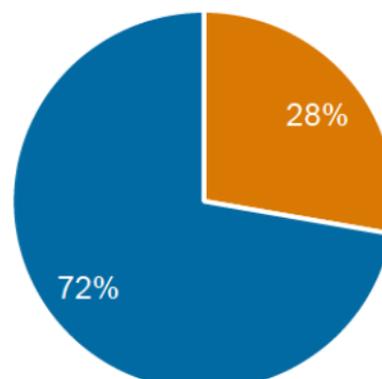
For further information on the data selection approach see section 7 of the *Single Source baseline profit rate and capital servicing rates methodology*. A company update search of the [Orbis database](#) was carried out on 3 November 2025 on data update number 369001 using software version 369. The financial data for the calculation was extracted from Orbis at the same time.

### 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	365
<i>of which profit making</i>	317
Aggregate turnover (£billions)	1,292.5
Total capital employed (CE) (£billions)	303.9
Average company CP:CE ratio	3.69

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

## Names of companies in the index

2G Energy AG (J)	Andritz AG	Brunswick Corporation (J)	CTA International SAS
A. Water Systems S.R.L. (J)	Applied Materials INC (J)	Brunvoll Holding AS	CTT Systems AB
Aaon INC	Arlington Fleet Group Limited (J)	Bucher Industries AG (J)	Cummins Inc.
AAR Corp.	Art's WAY Manufacturing CO INC * (J)	Butler National Corp. (J)	Curtiss-Wright Corporation
Ab Solving Oy (J)	Asml Holding N.V. (J)	BWX Technologies, Inc.	Dalmecc S.P.A. (J)
AB Volvo	Astec Industries INC	C.M.A. - Costruzioni Montacarichi ED Ascensori - Societa' A Responsabilita' Limitata	Data I/O Corp *
ABB LTD (J)	Astronics Corporation	C.M.A. S.P.A. (J)	David Ritchie (Implements) Limited
Accuracy International Limited	Astronova, Inc. *	Cactus, Inc.	de Angelis S.P.A. (J)
ACMA, Gesellschaft fuer flugzeuggestuetzte Trage- und Startanlagen mit beschraenkter Haftung (J)	Atlas Copco AB	CAE Aircrew Training Services PLC (J)	de Lorenzo S.P.A.
Aehr Test Systems (J)	ATS Corporation *	CAE INC	Deere & Company
Aerovironment, Inc.	Aumann AG	Cassioli S.R.L. (J)	DEL BO Impianti S.R.L. (J)
AES Aerospace Embedded Solutions GmbH * (J)	Avant Tecno Oy	Caterpillar Inc.	DEL Morino - S.R.L. (J)
AG Growth International Inc. (J)	Aviat Networks, Inc. (J)	Ceco Environmental Corp.	Deutz AG
Agco Corporation (J)	Axcelis Technologies INC	Ceotronics AG (J)	DON Whitley Scientific Limited (J)
Aguirre Maquinaria Agricola SL.	Axon Enterprise, Inc.	Chart Industries, Inc.	Douglas Dynamics, Inc.
AIR Industries Group *	Azkoyen SA	Chemring Group PLC	Dril-Quip, Inc.
Airbus SE	Babcock & Wilcox Enterprises, Inc.	Clade Engineering Systems Group LTD (J)	Ducommun Incorporated
Airtanker Holdings Limited	Babcock International Group PLC	CMZ Machine Tool Manufacturer Sociedad Limitada.	Duerr AG
Airtanker Services Limited	BAE Systems PLC	CNH Industrial N.V	Effebi S.P.A. (J)
Airtificial Intelligence Structures, S.A. (J)	Bailey Trailers Limited	Coda Octopus Group, Inc.	Electrolux Professional AB (Publ) (J)
Aixtron SE (J)	Baltur Societa' PER Azioni (J)	Cofidur SA (J)	Elettronica - Societa PER Azioni *
Alamo Group Inc.	Barco NV	Cognex Corporation	Emergency ONE Group Limited (J)
Alexanderwerk AG (J)	Benchmark Electronics, Inc. (J)	Coherent Corp	Enerflex Ltd. (J)
Alimak Group AB	Binder + Co AG	Cohort PLC	Energy Recovery, Inc.
Allient INC	Bittium OYJ	Columbus Mckinnon Corp	Enerpac Tool Group Corp.
Allison Transmission Holdings, Inc.	Bizerba SE & Co.KG (J)	Commercial Vehicle Group, Inc. *	Errelle S.R.L. (J)
Alstom S.A	BK Technologies Corporation	Comtech Telecommunications Corp. *	Espey MFG and Electronics Corp
American Axle & Manufacturing Holdings, Inc.	Blue Bird Corporation	Conit S.R.L. (J)	Euromids (J)
Ametek, Inc.	BMH Technology Oy (J)	Construcciones Y Auxiliar de Ferrocarriles, S.A.	Europress Group Oy (J)
Amtech Systems INC *	BMI Trailers Limited *	Continental AG	Evertz Technologies Limited (J)
Analog Devices INC	Bombardier INC (J)	Cos.Eco. Industrie Group S.R.L. (J)	EVS Broadcast Equipment SA
	Bombas Ideal Sociedad Anonima (J)	CPI Aerostructures INC	Exail Technologies SA (J)
	Broadwind, Inc.		Facma S.R.L. (J)
	Bruker Corporation		Fast Holdings Limited (J)

Fava Societa' PER Azioni * (J)	Heidelberger Druckmaschinen AG	Kesla OYJ *	Mino S.P.A. (J)
Federal Signal Corporation	Hensoldt AG (J)	Kinetrol Limited (J)	MKS INC
Ficep S.P.A. (J)	Hexcel Corporation	KLA Corporation (J)	Modine Manufacturing Company
Filtronic PLC	Hidden Instruments Limited	Koenig UND Bauer AG *	Moog Inc.
Fimic SRL (J)	Hillenbrand, Inc. (J)	Komax Holding AG *	Motorola Solutions, Inc.
Firan Technology Group Corporation (J)	HMR Group AS * (J)	Konecranes OYJ	Mpac Group PLC
First Solar, Inc. (J)	HMS Networks AB (J)	Kongsberg Gruppen ASA (J)	MS International PLC
Fisher (James) & Sons PLC	Honeywell International INC	Kratos Defense & Security Solutions, Inc.	MSA Safety Incorporated (J)
Fiskerstrand Holding AS * (J)	Huntington Ingalls Industries, Inc.	L3harris Technologies, Inc.	M-Tron Industries INC (J)
Flowplus Oy (J)	I P Huse AS (J)	LAM Research Corporation	MTU Aero Engines AG
Flowserve Corp	Icoel S.R.L. * (J)	Leonardo S.P.A.	Nammo AS
FormFactor, Inc. (J)	I dex Corp	Lightpath Technologies INC * (J)	NC Engineering (Hamiltonsbawn) Limited
Forum Energy Technologies, Inc. *	Imer International SPA (J)	Lillbacka Powerco Oy *	NEW Lachaussee (J)
Franklin Electric Co., Inc. (J)	IMI PLC	Linamar Corporation	NFI Group Inc.
Fratelli Mazzocchia S.P.A. (J)	Industrial de Transformados Metalicos SA (J)	Lincoln Electric Holdings, Inc. (J)	Nicolas Correa S.A. (J)
Frequency Electronics INC (J)	Industrias Montanas Electricas Mecanicas SL	Lockheed Martin Corporation	Nordson Corporation
G. Bezzera S.R.L. * (J)	Inficon Holding AG	Lombardi Converting Machinery S.P.A.	Northrop Grumman Corporation
G.H.B. (Holding) Limited	Ingersoll Rand Inc.	LPA Group PLC * (J)	NOV INC
G.T. Bunning & Sons Limited (J)	Ingeteam SA (J)	Lpkf Laser & Electronics SE * (J)	Nuova Idropress - Societa' PER Azioni IN Forma Abbreviata NIP S.P.A.
Gamma Meccanica S.P.A. * (J)	Interpump Group S.P.A. (J)	Magna International INC	Nuova Stame S.P.A. (J)
GAS and Heat S.P.A. (J)	Interroll Holding AG	Maicopresse S.P.A. (J)	NVE Corporation
Genasys Inc. *	Intest Corporation (J)	Manitou BF	Oceaneering International INC (J)
Gencor Industries, Inc.	IPG Photonics Corporation *	Marshall of Cambridge (Holdings) Limited *	Officina Bocedi SRL
General Dynamics Corporation	Istobal SA	Maschinenfabrik Berthold Hermle AG	Officina Meccanica F.Lli Tabarelli S.P.A.
General Electric Company	Italcab S.P.A. *	Melrose Industries PLC * (J)	Officine Meccaniche Aeronautiche S.P.A. (IN Sigla O.M.A. S.P.A.) * (J)
Gentex Corp	ITT Inc. (J)	Menci & C. S.P.A. (J)	Officine Meccaniche Galletti (O.M.G.) S.R.L. * (J)
Gorman-Rupp Company (The)	Iveco Group NV (J)	Mercury Systems INC *	Officine Meccaniche S.R.L. DI Ponte Nossa (J)
Graco Inc.	Jacobs Solutions Inc.	METZEN Industries GmbH (J)	OMA Holding Stord AS (J)
Graham Corp	JBT Marel Corp	MID Kent Electrical Engineering Company Limited (J)	Onto Innovation, Inc.
Grupo Amper SA (J)	Johnson Controls International PLC	Miller Industries INC	Optex Systems Holdings, Inc. (J)
Guzzetti S.P.A. *	Judges Scientific PLC	Mind Technology INC (J)	Orbit International Corp * (J)
Heico Corporation	Kadant Inc.		
	Kbr, Inc.		

Orion SRL (J)	S.T.M. - Societa' PER Azioni (J)	Technotrans SE (J)	Washtec AG
Oshkosh Corporation	Saab AB	Tecnokar S.R.L. (J)	Westinghouse AIR Brake Technologies Corporation
OSI Systems, Inc. (J)	Saalasti Oy *	Teledyne Technologies Incorporated	Whale Tankers Limited (J)
Oxford Instruments PLC	Saer Elettropompe S.P.A. (J)	Tennant Company	Wilton Universal Group Limited
Oy Ei-Ho Ab *	Safran	Teradyne, Inc.	Witt & SON UK Holdings Limited
P.F.M. S.P.A. (J)	SC Group-Global Limited	Terex Corporation	Woodward, Inc.
Paccar INC	Schlatter Industries AG	Tesmec SPA	Xylem Inc.
Paglierani S.R.L. (J)	Schmitt - Elevadores, LDA	Tevo Oy *	Zambello Riduttori 2 - S.R.L. (J)
Park Aerospace Corp.	SDI Group PLC (J)	Textron INC	Zebra Technologies Corp
Paul Mueller Company	Sermac S.R.L. * (J)	Thales	
Podium Engineering S.R.L. (J)	Sicamb - S.P.A. (J)	THE Jensen-Group N.V. (J)	
Poettinger Landtechnik GmbH * (J)	Siemens AG	THE Manitowoc Company, Inc.	
Ponsse OYJ	Sigicom AB (J)	THE Middleby Corporation (J)	
Powell Industries, Inc.	Simic S.P.A. (J)	Thwaites Limited	
PVA Tepla AG	Skako A/S	Thyssenkrupp AG *	
Qinetiq Group PLC *	Sletta AS * (J)	Tiber Pack S.P.A.	
R.J. Bateman (Engineering) Limited (J)	Smigroup S.P.A. (J)	Tomra Systems ASA	
Raute OYJ	Smith Brothers (Leicester) Limited (J)	Tonello S.R.L. (J)	
Regal Rexnord Corporation (J)	Smiths Group PLC	Tornado Global Hydrovacs Ltd.	
Renew Holdings PLC	Sonardyne Holdings Limited	Toro Company (The) (J)	
Renishaw PLC	Sono-Tek Corporation (J)	Transdigm Group Incorporated	
REV Group, Inc.	Stadler Rail AG (J)	Tronrud Engineering AS *	
Rheinmetall AG	Star Refrigeration Limited	TTM Technologies INC	
Rieter Holding AG (J)	Sulzer AG (J)	Twin Disc, Incorporated	
Robson Handling Technology Limited	Supertino S.R.L. (J)	Vaisala OYJ	
Roccheggiani S.P.A. (J)	SVI S.P.A. (J)	Varex Imaging Corporation (J)	
Rockwell Automation, Inc.	Systemair AB	Veeco Instruments Inc.	
Rohde & Schwarz GmbH & Co. Kommanditgesellschaft	Tacchi Giacomo E Figli S.P.A. * (J)	Vegsund Slip Holding AS	
Rolls-Royce Holdings PLC	TAI Milano S.P.A.	VSE Corporation	
RTX Corporation	Talgo S.A. (J)	Wabash National Corporation *	
RWG (Repair & Overhauls) Limited	Taylor Devices INC	Wacker Neuson SE	
	Teagle Holdings Limited *	Wartsila OYJ	
	Team INC * (J)		
	Technipfmc PLC		

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

(J) indicates a company that was not in the 'Develop, Make and Support' activity group last year, but has been added this year.

## Capital servicing rates

The capital servicing rates are used as part of the Step 4 Capital Servicing Adjustment (CSA) of the four-step process for determining the contract profit rate for a qualifying defence contract. A corresponding 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.

The capital servicing rates are calculated from indices of sterling denominated corporate bonds or fixed maturity deposits. The rates are rolling averages of the underlying rates.

	2022/23 <sup>5</sup>	2023/24	2024/25	2025/26	2026/27
Fixed capital servicing rate	2.87%	2.90%	3.26%	3.64%	<b>4.05%</b>
Positive working capital servicing rate	1.09%	1.67%	3.10%	4.69%	<b>5.25%</b>
Negative working capital servicing rate	0.51%	0.51%	1.61%	3.21%	<b>4.18%</b>

### Data sources

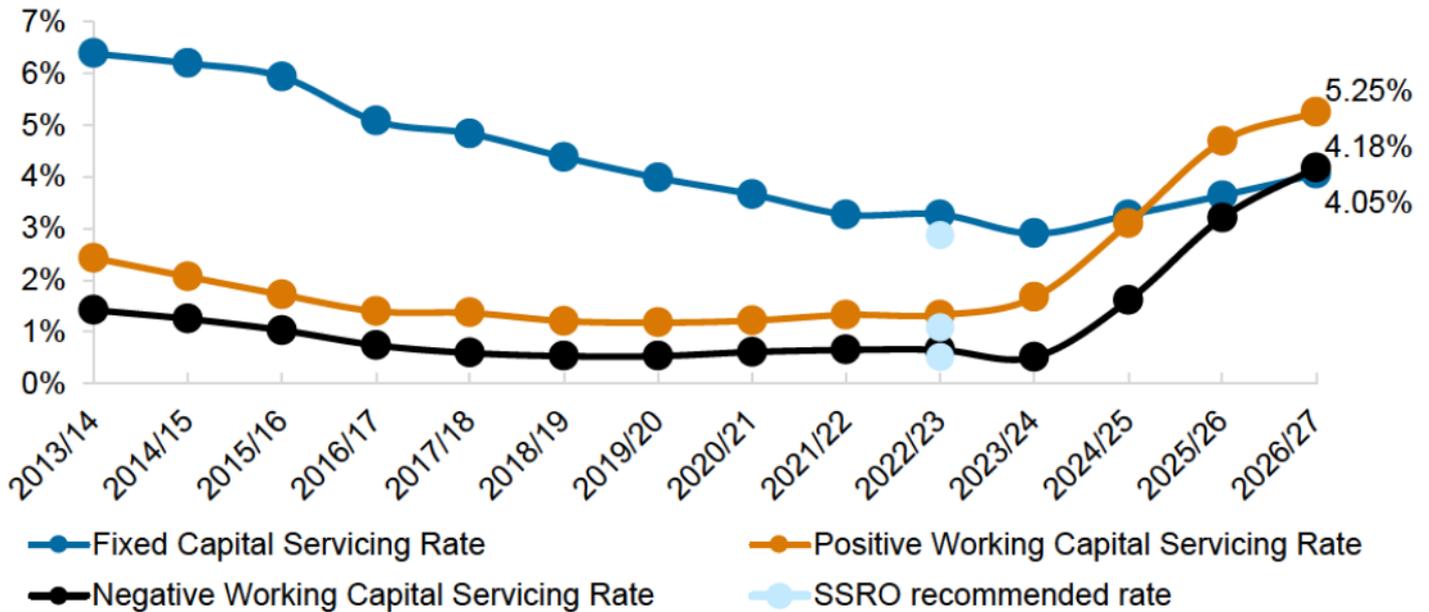
For further information on the data selection approach please see section 13 of the [Single Source baseline profit rate and capital servicing rates methodology](#).

Rate	Description	
Fixed capital servicing rate	Seven-year average of '15-year BBB GBP' bonds	BVCSGU15 BVLI Index
Positive working capital servicing rate	Three-year average of '1-year BBB GBP' bonds	BVCSGU01 BVLI Index
Negative working capital servicing rate	Three-year average of Monthly average of UK resident monetary financial institutions' (excl. Central Bank) sterling weighted average interest rate - time deposits with fixed original maturity <=1 year from private non-financial corporations (in percent) not seasonally adjusted	CFMBI32

Sources: Bloomberg and Bank of England

<sup>5</sup> Shown are the 2022/23 rates recommended by the SSRO. The Secretary of State determined the BPR for 2022/23 as an average of the composite underlying rates calculated by the SSRO for the three years prior to 2021 (8.50%, 8.23%, and 8.19%), keeping the BPR at 8.31 per cent. This fixed the capital servicing rates the same as for 2021/22.

### Trends in capital servicing rates



### Government owned contractor rate

The government owned contractor rate is a baseline profit rate that may be applied to certain qualifying contracts in place of the baseline profit rate set out on page 1.

The government owned contractor rate must only apply to qualifying defence contracts where:

- a. the contract is between Secretary of State and a company incorporated under the Companies Act that is wholly owned by the UK Government; and
- b. both parties to the contract agree that it should apply.

	2022/23	2023/24	2024/25	2025/26	2026/27
Government owned contractor rate	0.046%	0.038%	0.00%	0.00%	<b>0.00%</b>

### Calculation of government owned contractor rate

The government owned contractor rate was first introduced for 2021/22. The government owned contractor rate is set to enable a contract profit rated of zero for contracts with companies wholly owned by the Secretary of State.

Prior to 2024/25, the government owned contractor rate was set at a level that was opposite to the SSRO funding adjustment. Schedule 10 of the Procurement Act 2023 came into force on 1 April 2024, removing the SSRO funding adjustment from the previous six-step contract profit rate process from 2024/25, meaning the government contractor rate is now set at zero.