

SSRO

Single Source
Regulations Office

Assuring value, building confidence

Recommendation factsheet

Under the Defence Reform Act 2014 (the 'Act'), 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. In order to determine the contract profit rate, the parties must begin with a baseline profit rate. The baseline profit rate is calculated from an index of public and private companies.

Composite rate

This group combines search results from 'Develop and Make' and 'Provide and Maintain'. This rate is constructed using the mean average of the capital servicing adjusted three-year rolling averages rates for Develop and Make and Provide and Maintain activity types.

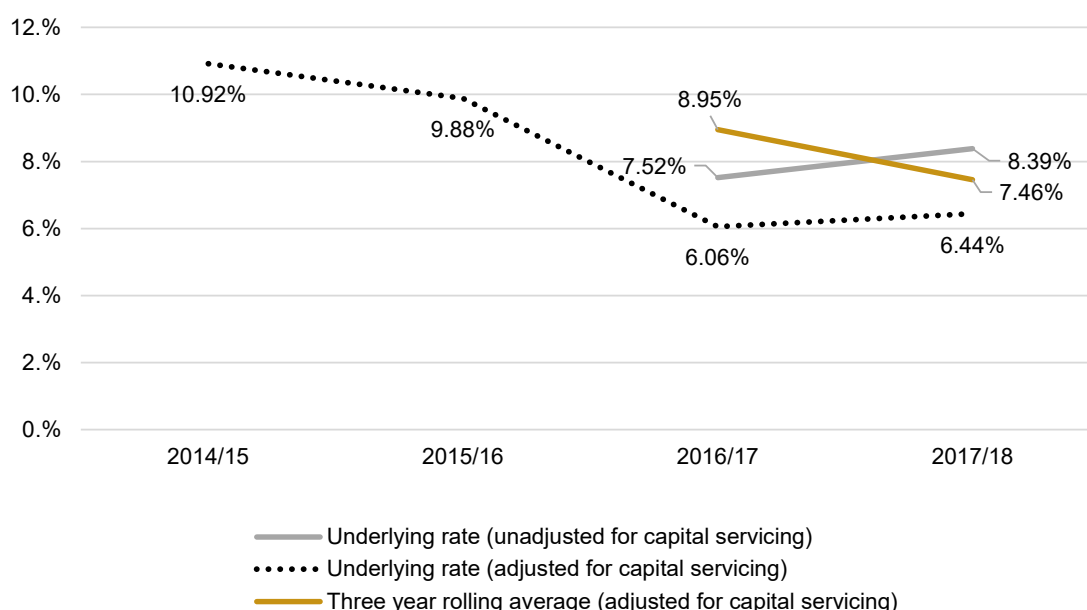
For further information please see the *Single source baseline profit rate, capital servicing rates and funding adjustment methodology 2017/18*.

Profit on cost of production

	2014/15*	2015/16*	2016/17	2017/18
Underlying rate (unadjusted for capital servicing)	-	-	7.52%	8.39%
Capital servicing adjustment	-	-	-1.46%	-1.95%
Underlying rate	10.92%	9.88%	6.06%	6.44%
Three year rolling average	10.70%	10.60%	8.95%	7.46%

Note: The capital servicing (CS) adjustment accounts for different levels of capital employed across the companies in the index

Median capital servicing adjusted return cost of production



**Calculated using the Review Board's methodology, which did not incorporate separate activity types. Consequently, for 2014/15 and 2015/16 the underlying rates used in the SSRO's calculations and the three year rolling averages are common across all activity types.*

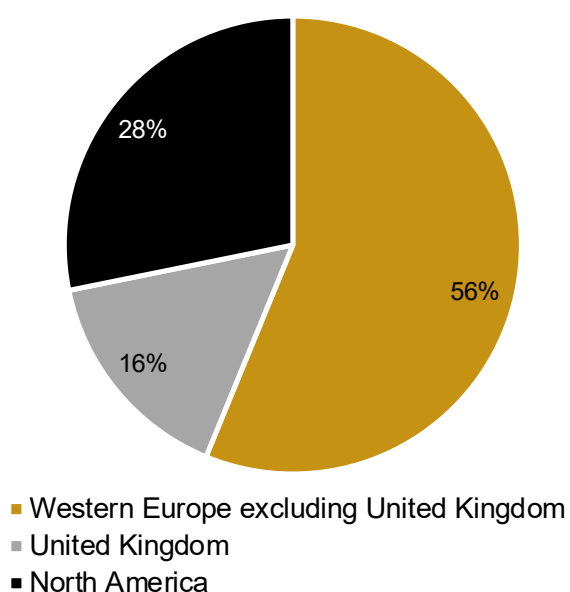
Names of companies in the index

A QUICK RENTAL	ATLAS COPCO AB	C.S.C. - S.P.A.	DALLAN S.P.A.
A.W.L. TECHNIEK HOLDING B.V.	ATOP - S.P.A.	C.S.F. INOX S.P.A.	DALMEC S.P.A.
AAON INC	ATS AUTOMATION TOOLING SYSTEMS INC.	CACI INTERNATIONAL INC	DAMRYS
AB SOLVING OY	AUTOADAPT AB	CAE INC	DANA INCORPORATED
AB VOLVO	AUTOLIV, INC.	CALF S.P.A.	DATA I/O CORP
ABSOLUTE S.P.A.	AUTOMAZIONE INDUSTRIALE B.R.C. S.P.A.	CALPEDA S.P.A.	DCRB LIMITED
ACCURACY INTERNATIONAL LIMITED	AVATION PLC	CANTIERI NAVALI CHIOGGIA S.R.L.	DE LAMA - S.P.A.
ACE AERONAUTIQUE	AVIATION TRAINING INTERNATIONAL LIMITED	CAPELLO S.R.L.	DEERE & CO
ACTUANT CORP	AVIO S.P.A.	CARAVAGGI S.R.L.	DEL BO IMPIANTI S.R.L.
ADVANCED ENERGY INDUSTRIES INC	AXCELIS TECHNOLOGIES INC	CARMANAH TECHNOLOGIES CORP.	DEL MORINO - S.R.L.
AERCAP HOLDINGS N.V.	AZZ INC	CARPENTERIA MANESSI S.R.L.	DELLA TOFFOLA S.P.A.
AERLIFT LEASING JET LIMITED	BABCOCK INTERNATIONAL GROUP PLC	CARRARO SPA	DELPHI AUTOMOTIVE PLC
AEROCENTURY CORP	BAE SYSTEMS PLC	CASTLEDON LTD	DIESEL TECNICA S.R.L.
AEROJET ROCKETDYNE HOLDINGS, INC.	BAILEY TRAILERS LIMITED	CATERPILLAR INC	DINOLIFT OY
AEROVIRONMENT, INC.	BARNES GROUP INC	C-COM SATELLITE SYSTEMS INC.	DIRECAUTO SL
AGGREKO PLC	BAS MASKINUTLEIE AS	CDE GLOBAL LIMITED	DOM SRL
AGRIBERTOCCHI S.R.L.	BAURAL	CECO ENVIRONMENTAL CORP.	DOUGLAS DYNAMICS, INC.
AGUIRRE MAQUINARIA AGRICOLA SL.	BBA AVIATION PLC	CENTER GROUP RENZI S.R.L.	DRAGFLOW S.R.L.
AIMO KORTTEEN KONEPAJA OY	BE AEROSPACE INC	CIEMMECALABRIA S.R.L.	DRIL-QUIP INC
AIR LEASE CORPORATION	BEHR-HELLA THERMOCONTROL GMBH	CLAMPON AS	DUBLIN AEROSPACE LIMITED
AIR PROTECH S.R.L.	BERALMAR TECNOLOGIC SA	CLIVE BARFORD LIMITED	DUNPHY TECHNOLOGY LIMITED
AIR T INC	BERGI S.P.A.	CMF STRUCTURES	DURR AG
AIRBUS GROUP SE	BERTHON BOAT COMPANY LIMITED(THE)	CNH INDUSTRIAL N.V.	DYCOM INDUSTRIES INC
AIRTANKER SERVICES LIMITED	BETA MARINE LIMITED	CO.MEC.EL. COSTRUZIONI MECCANICHE ELETTRONICHE S.R.L.	E.P. ELEVATORI PREMONTATI S.R.L.
ALAMO GROUP INC	BEVAN GROUP LTD	COBUS INDUSTRIES GMBH	E.T.A. S.P.A.
ALEXANDER DENNIS LIMITED	BINACCHI E C. S.R.L.	COGEIM EUROPE SRL	ECO-LIRI S.P.A.
ALLIED MOTION TECHNOLOGIES, INC.	BINTER TECHNIC, SOCIEDAD LIMITADA.	COGNEX CORP	ELECTRO-JET, SA
ALLIMAND	BIOREM INC	COHU INC	EMERALD ENGINE LEASING LIMITED
ALLISON TRANSMISSION HOLDINGS, INC.	BLACKROW CORPORATION LIMITED	COLOSIO S.R.L.	EMSLEY BROTHERS LIMITED
ALSTOM S.A.	BLANCCO TECHNOLOGY GROUP PLC	COLT INVESTMENTS LIMITED	ENERGYST B.V.
ALTRA INDUSTRIAL MOTION CORP.	BOEING COMPANY (THE)	COLUMBUS MCKINNON CORP	ESCAR - S.R.L.
ALUMASC GROUP PLC (THE)	BOELS HOLDING B.V.	COMEC ITALIA S.R.L.	ESCO TECHNOLOGIES INC
AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.	BORGWARNER INC	COMERIO ERCOLE S.P.A.	ESPEY MANUFACTURING & ELECTRONICS CORP
AMERICAN SHIPPING COMPANY ASA	BREMBO SGL CARBON CERAMIC BRAKES S.P.A. IN BREVE BSCCB S.P.A.	COMMERCIAL VEHICLE GROUP, INC.	ESTERLINE TECHNOLOGIES CORP
ANALOGIC CORP	BREVETTI C.E.A. S.P.A.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	ESTUFASMINHO, S.A.
ANDRITZ AG	BRIAN JAMES TRAILERS LIMITED	CONTINENTAL AG	EVADX LIMITED
ANNOVI REVERBERI S.P.A.	BRIGGS & STRATTON CORP	CONTRACT VEHICLES GROUP LIMITED	EVICARRI S.P.A.
ANSELMO S.P.A. IMPIANTI E MACCHINE PER PASTIFICI	BROOKS AUTOMATION, INC.	CORMACH S.R.L.	F.A.M.A.R. S.R.L.
ANTONIO CARRARO S.P.A.	BRUKER CORPORATION	COS.ECO. COSTRUZIONI ECOLOGICHE S.R.L.	F.B.N. S.R.L.
AQUASIUM TECHNOLOGY LIMITED	BRUNSWICK CORP	COSMAN - S.R.L.	F.I. AUTOMAZIONE - S.R.L.
ARCO S.R.L.	BURNHAM HOLDINGS INC.	COWLES HOLDINGS LIMITED	F.O.M. INDUSTRIE - S.R.L.
ARITCO GROUP AB	BWX TECHNOLOGIES INC.	CPI AEROSTRUCTURES INC	F.P. FRANTOPARTS S.R.L.
ARNEG S.P.A.	BYGGESYSTEMER NORGE AS	CRAMO OYJ	FABRICATIONS MECANIKES DE L'ATLANTIQUE
ARTEC PULVERISATION	C. P. HIRE LIMITED	CROMA SECURITY SOLUTIONS GROUP PLC	FALKVARV AB
AS BOE & LEPSOY	C.M.A. - COSTRUZIONI MONTACARICHI ED ASCENSORI - SOCIETA' A RESPONSABILITA' LIMITATA	CTE GROUP SOCIETA' PER AZIONI	FASTAWARD LIMITED
ASCENSORES TRESA SA	C.M.A. S.P.A.	CTT SYSTEMS AB	FB DESIGN S.R.L.
ASCENT FLIGHT TRAINING (HOLDINGS) LIMITED	C.M.F. S.R.L.	CUBIC CORP	FEDEGARI AUTOCLAVI - S.P.A.
ASHTREAD GROUP PUBLIC LIMITED COMPANY	C.O.B.O. S.P.A.	CUMMINS INC.	FEDERAL SIGNAL CORP
ASHTREAD TECHNOLOGY LIMITED		CURTISS WRIGHT CORP	FEI COMPANY
ASTEC INDUSTRIES INC		CUYPERS VORKLIFTEN	FELTRE SRL
		CVD EQUIPMENT CORPORATION	FGF SRL
		DALAIR LIMITED	FILIPPI LIDO SRL
			FLIR SYSTEMS INC
			FLOWSERVE CORP

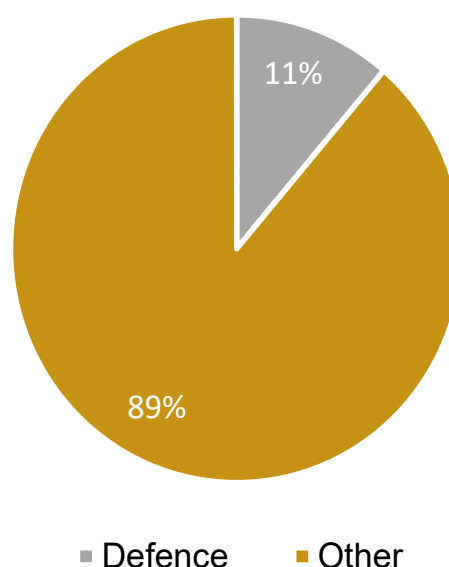
FMC TECHNOLOGIES INC	HSS HIRE GROUP PLC	L.B. - OFFICINE MECCANICHE - S.P.A.	MOSS S A S
FORNI INDUSTRIALI BENDOTTI - S.P.A.	HUDSON TECHNOLOGIES INC	L.D.M. OFFICINA MECCANICA S.R.L.	MOTGBPS ET FRANCOIS
FORSYTHS LIMITED	HUNTINGTON INGALLS INDUSTRIES, INC.	LA B & G DI BARDINI ENRICO & C. S.R.L.	MTS SYSTEMS CORP
FOSTER & FREEMAN LIMITED	HWA AG	LATECOERE SA	MTU AERO ENGINES AG
FRANCESCO BARETTO - S.P.A.	IDEX CORP	LAVENDON GROUP PLC	MTU TURBOMECA ROLLS-ROYCE GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG
FRASTE S.P.A.	IDRAULICA SIGHINOLFI ALBANO S.R.L.	LAXA SPECIALVEHICLES AKTIEBOLAG	MUEHLHAN AG
FRATELLI MAZZOCCHIA S.P.A.	IDROMECCANICA BERTOLINI - S.P.A.	LECITRAILER SA	MULTIPACK - SOCIETA' A RESPONSABILITA' LIMITATA
FREIGHTCAR AMERICA, INC.	II-VI INC	LEONARDO - FINMECCANICA S.P.A.	NAMMO AS
FRER S.R.L.	ILLUMINA INC	LEWAG HOLDING AG	NANCHINO AUTOMAZIONI INDUSTRIALI S.R.L.
FRESIA SOCIETA' PER AZIONI IN SIGLA FRESIA S.P.A.	IMER INTERNATIONAL SPA	LGH HOLDINGS LIMITED	NANOMETRICS INC
FUTURA ROBOTICA SRL	IMESA S.P.A.	LIFT SPECIALISTS LIMITED	NARVIFLEX
G.H.B. (HOLDING) LIMITED	IMS GEAR SE & CO. KGAA	LINDAB INTERNATIONAL AB	NATURAL GAS SERVICES GROUP, INC.
GADITANA DE CHORRO Y LIMPIEZA SL	INDUS HOLDING AG	LINDSAY CORPORATION	NAUTIC CENTER SOCIEDAD ANONIMA
GAMA AVIATION PLC	INDUSTRIA BRIANTEA FERRAMENTA MINUTERIE DI FUMAGALLI SRL	LMI AEROSPACE INC	NAVISTAR INTERNATIONAL CORP
GATX CORP	INDUSTRIAL GALVANIZADORA, SA	LOC'HIAM	NC ENGINEERING (HAMILTONSBAWN) LIMITED
GBPO STAMPI S.R.L.	INDUSTRIAS MAXI SA	LOCKHEED MARTIN CORP	NEW FLYER INDUSTRIES INC.
GBPOJET TURBO GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	ING. BONFIGLIOLI S.P.A.	LUMINEX CORP	NEWGATE (NEWARK) LIMITED
GBPOTANK OY	INGENIERIA Y TECNICAS DE MONTAJES LOINTEK SL	M J CHURCH (PLANT) LIMITED	NICOLAS CORREA S.A.
GENERAC HOLDINGS INC.	INGERSOLL-RAND PLC	M.A.X. AUTOMATION AG	NIEDERSTAETTER S.P.A.
GENERAL DYNAMICS CORP	INOX MACEL SRL	M.T.A. SOCIETA' PER AZIONI IN SIGLA M.T.A. S.P.A.	NOGVA MOTORFABRIKK AS
GENERAL ELECTRIC COMPANY	INOX PIAVE S.R.L.	MACPRESSE GBPOPA S.R.L.	NOR SLEP AS
GENTEX CORP	INSTA GROUP OY	MAGNA INTERNATIONAL INC	NORDSON CORP
GENTHERM INC	INTERNATIONAL TRUCKS AND TRACTORS SL	MANCHE TECHNI METAL	NORTAN S.R.L.
GEVELOT SA	INTERROLL HOLDING AG	MANITEX INTERNATIONAL, INC.	NORTHROP GRUMMAN CORPORATION
GHL HOLDINGS LIMITED	INTRICON CORPORATION	MANITOU BF SA	NOVANTA INC
GILBERT GILKES & GORDON LIMITED	INTROSYS - INTEGRATION FOR ROBOTIC SYSTEMS - INTEGRACAO DE SISTEMAS ROBOTICOS, S.A.	MANITOWOC COMPANY, INC. (THE)	O.C.M.L. OFFICINE COSTRUZIONI METALMECCANICHE LOMBARDE S.P.A.
GKN PLC	IRMAOS MOTA - CONSTRUCAO DE CARROCARIAS, S.A.	MANOTTI S.R.L.	O.M.A.R. S.R.L.
GOLTENS OSLO AS	IROBOT CORPORATION	MARDEN EDWARDS LIMITED	O.M.V. - OFFICINE MECCANICHE VICARIO S.P.A.
GORMAN-RUPP COMPANY (THE)	ITALFUA S.R.L.	MAREL HF.	OCME - SOCIETA' A RESPONSABILITA' LIMITATA
GRAF SYNERGY S.R.L.	ITALKRANE S.R.L.	MARIOTTI E PECINI - S.R.L.	OESSE S.R.L.
GRAHAM CORP	ITEMA S.P.A.	MARITIME HOLDING AS	OFFICINA MECCANICA F.LLI TABARELLI S.P.A.
GRAMMER AG	IVOR SEARLE LIMITED	MARITIME PARTNER AS	OFFICINA MECCANICA INVERNIZZI S.R.L.
GRANADA MATERIAL HANDLING LIMITED	JOHN BEAN TECHNOLOGIES CORP	MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED	OFFICINA MECCANICA RECARD SPA O RECARD S.P.A.
GRAY & ADAMS (DONCASTER) LIMITED	JOHN NIXON LIMITED	MARSU SL	OFFICINA MECCANICA SESTESE S.P.A.
GREENBRIER COMPANIES INC	JOMA-POLYTEC GMBH	MASCAR SPA	OFFICINE BIEFFEBI S.P.A.
GRIMA S.R.L.	JOSE JULIO JORDAO, LDA	MASCHINENFABRIK BERTHOLD HERMLE AG	OFFICINE MECCANICHE GALLARATESI S.P.A.
GROVGAARDEN AS	KADANT INC	MATTEUZZI SRL	OFFICINE MINUTE S.R.L.
GUS-BI OFFICINA MECCANICA S.P.A.	KAMAN CORP	MCGRATH RENTCORP	OIKOS - VENEZIA S.R.L.
GUZZETTI S.P.A.	KAOUSSIS, A., S.A.	MECANIZADOS ACEBRON SL	OILON GROUP OY
H&E EQUIPMENT SERVICES, INC.	KBR, INC.	MECBO - S.R.L.	OLIMPIA SPLENDID S.P.A.
HALDEX AB	KLEPP MEK AS	MEDIACO MARSEILLE PROVENCE	OLSA S.P.A.
HAMEEN RAKENNUSKONE OY	KMG SYSTEMS LIMITED	MEGGITT PLC	OMAG S.R.L.
HARDINGE INC	KOENIG UND BAUER AG	MERCURY SYSTEMS INC	OMBA IMPIANTI & ENGINEERING S.P.A.
HEICO CORP	KOLBUS GMBH & CO. KG	METSO OYJ	OMNIPACK - SOCIETA' A RESPONSABILITA' LIMITATA
HEIDELBERGER DRUCKMASCHINEN AG	KONECRANES OYJ	MIDDLEBY CORP	OMS PRESSE S.R.L.
HELIDAX	KONGSBERG GRUPPEN ASA	MILLER INDUSTRIES INC	ORANGEMEAD LIMITED
HELISIM	KONGSBERG TERO TECH AS	MILLUTENSIL S.R.L.	
HEMACO SRL	KREISLER MANUFACTURING CORP	MKS INSTRUMENTS INC	
HERMANOS TOIMIL GARCIA SL	KUKA AG	MOLSON GROUP LTD	
HEROUX-DEVTEK INC.	KUORTANEEN TEOLLISUUSPALVELU OY	MONTAGGI INDUSTRIALI E TECNICHE ORGANIZZATIVE S.R.L. CON DENOMINAZIONE ABBREVIATA M.IN.T.OR. S.R.L.	
HESCO HOLDINGS LIMITED		MOOG INC	
HONEYWELL INTERNATIONAL INC			

ORBITAL ATK, INC.	ROTONDI GROUP SRL	SUN ORGANISATION PLC	VIRGIS FILTER S.P.A.
ORMET S.P.A.	R-SARKON OY	SUPERTINO S.R.L.	VISTEON CORP
ORRMAC (NO 50) LIMITED	RWG (REPAIR & OVERHAULS) LIMITED	SUPREME INDUSTRIES INC	VMS (HOLDINGS) LIMITED
OSHKOSH CORPORATION	S.H. STRUCTURES LIMITED	SVETRUCK AKTIEBOLAG	VP PLC
OVLAC FABRICACION DE MAQUINARIA AGRICOLA SA	S.T.M. - SOCIETA' PER AZIONI	SYSTEMAIR AB	WABASH NATIONAL CORP
OXFORD INSTRUMENTS PLC	SAAB AB	T KVERNELAND & SONNER AS	WABCO HOLDINGS INC.
OY LEINOLAT AB	SAF-HOLLAND S.A	T.B. GROUP S.R.L.	WACKER NEUSON SE
PACCAR INC	SALTIRE ENERGY LIMITED	T.V.Z. S.R.L.	WALKER PRECISION ENGINEERING LIMITED
PAMA S.P.A.	SAMP S.P.A.	TAI MILANO S.P.A.	WARTSILA OYJ
PANAVIA AIRCRAFT GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	SAMPO-ROSENLEW OY	TALLERES RATERA SA	WASHTEC AG
PARAMETRIC INVESTMENTS LIMITED	SANDVIK AB	TASER INTERNATIONAL INC	WEGER WALTER G.M.B.H.-S.R.L.
PARK ELECTROCHEMICAL CORP	SASSI HOLDING SPA	TEAGLE HOLDINGS LIMITED	WESTINGHOUSE AIR BRAKE TECHNOLOGIES CORP
PARKBURN PRECISION HANDLING SYSTEMS LIMITED	SAVARIA CORPORATION	TECHNIPES S.R.L.	WHALE TANKERS LIMITED
PASSONI PAOLO E FIGLI S.R.L.	SCHALTBAU HOLDING AG	TECHPRECISION CORP	WILCOX COMMERCIAL VEHICLES LIMITED
PAUL MUELLER COMPANY	SCHMITT - ELEVADORES, LDA	TECNOCEAM S.R.L.	WILLIS LEASE FINANCE CORP
PENDENNIS SHIPYARD (HOLDINGS) LIMITED	SCHWEITER TECHNOLOGIES AG	TECNODINAMICA S.R.L.	WITT & SON UK HOLDINGS LIMITED
PENTAGAS SRL	SCIENCE APPLICATIONS INTERNATIONAL CORP	TEL-INSTRUMENT ELECTRONICS CORP	WOODWARD, INC.
POLARIS INDUSTRIES INC	SCM GROUP S.P.A.	TENNANT CO	WORTHINGTON INDUSTRIES INC
POLCAF	SELE S.R.L.	TENNECO INC.	WOZAIR LIMITED
PONSSE OYJ	SERVOTRONICS INC	TEREX CORP	WSI INDUSTRIES INC
POSIMAT SA	SERVOVALVE S.P.A.	TESMEC SPA	X-AIRSERVICES
POWELL INDUSTRIES INC	SFOGGIA AGRICULTURE DIVISION S.R.L.	TEST-FUCHS GMBH	XYLEM INC.
POWER TORQUE ENGINEERING LIMITED	SH INVEST AS	TEXTRON INC	ZAGO S.R.L.
PRATI S.R.L.	SHINE FOOD MACHINERY LIMITED	THALES SA	ZAMBELLO RIDUTTORI 2 - S.R.L.
PRENSOLAND SA	SICAMB - S.P.A.	THERCO HOLDINGS LIMITED	ZAMBELLO RIDUTTORI S.R.L.
PRESSVIT S.R.L.	SIGMA INDUSTRIES INC.	THWAITES LIMITED	ZEPHIR S.P.A.
PRIMA INDUSTRIE SPA	SILLA MACCHINE EDILI E STRADALI S.R.L.	THYSENKRUPP AG	ZIEMEX
PROFILTEAM AS	SKS GROUP OY	TOMRA SYSTEMS ASA	ZODIAC AEROSPACE
PROMETEC S.R.L.	SMITH & WESSON HOLDING CORPORATION	TOROMONT INDUSTRIES LTD	
PROMO SPA	SMITH BROTHERS (LEICESTER) LIMITED	TOSCOTEC S.P.A.	
PUGLIESE INDUSTRIA MECCANICA S.R.L.	SMITHS GROUP PLC	TOTAL AIRCRAFT PRODUCT SUPPORT (HOLDINGS) LIMITED	
QINETIQ GROUP PLC	SOC FRANCAISE CONST MATERIEL FERROVIAIRE	TRANSDIGM GROUP INCORPORATED	
RADLEY ENGINEERING LIMITED	SOCIETA' GBPOPEA VEICOLI LEGGERI-SEVEL-SPA	TRANSMISIONES LA MAGDALENA SOCIEDAD LIMITADA	
RAGET AS	SOCIETA' INDUSTRIALE COSTRUZIONE MACCHINE AGRICOLE S.P.A.- IN SIGLA S.I.C.M.A.- S.P.A.	TRC COMPANIES INC	
RAMIRENT OYJ	SOCIETE DES CARS LAMBERT	TRINITY INDUSTRIES INC	
RAM-SYSTEM GESELLSCHAFT MIT BESCHRAENKTER HAFTUNG	SPECTRUM TECHNOLOGIES PLC	TTS GROUP ASA	
RAYTHEON COMPANY	SPIRAX-SARCO ENGINEERING PLC	TUME-AGRI OY	
REDUCTORES CUNAT SA	SPIRIT AEROSYSTEMS HOLDINGS, INC.	TWIN DISC INC	
RENEW HOLDINGS PLC	SQS SOFTWARE QUALITY SYSTEMS AG	ULTRA ELECTRONICS HOLDINGS PLC	
RHEINMETALL AG	SRT MARINE SYSTEMS PLC	UNIC S.R.L.	
RHYAL ENGINEERING LIMITED	STANDARD MOTOR PRODUCTS INC	UNITED RENTALS INC	
RISCO S.P.A.	STOEBER ANTRIEBSTECHNIK GMBH & CO. KG	UNITED TECHNOLOGIES CORPORATION	
RIVAL S.R.L. LAVORAZIONI MECCANICHE	STONERIDGE INC	UNIVER S.P.A.	
ROBOR SRL	STREPARAVA HOLDING S.P.A.	UNIVERSAL PACK S.R.L.	
ROCKWELL AUTOMATION, INC.	STT ENVIRO CORP.	URBAR INGENIEROS S.A	
ROCKWELL COLLINS INC	STUCCHI SOCIETA' PER AZIONI	UUTECHNIC GROUP OYJ	
RODMAN POLYSHIPS SA	STURM RUGER & CO INC	V.N.A. TRUCKS LIMITED	
ROFIN SINAR TECHNOLOGIES INC		VAIA CAR SPA	
ROLLS-ROYCE HOLDINGS PLC		VALEO SA	
ROPER TECHNOLOGIES, INC.		VARIAN MEDICAL SYSTEMS INC	
ROTOLOK (HOLDINGS) LIMITED		VENPA SUD SRL	

Number of companies by country*



Number of companies by defence as keyword*



* The pie chart is based on companies that were accepted as comparators after applying the search criteria and the review of company information, but before the exclusion of companies with a negative capital servicing adjusted profit level indicator.

Supplementary statistics

Number of companies	580	Total capital employed (CE)	£298.36
Aggregate turnover	£927.68	Average company CP:CE ratio	2.80

Source: Bureau van Dijk – Orbis (Cash figures shown in GBP Billions)

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Capital servicing rates

The capital servicing adjustment (CSA) is required under section 17(2) of the Defence Reform Act (the Act), and Single Source Contract Regulations 11(7). The Act states that a contractor should receive an appropriate and reasonable return on the fixed and working capital employed by in the delivery of a Qualifying Defence Contract (QDC). The CSA represents the combination measures of fixed and working capital employed and three associated capital servicing rates.

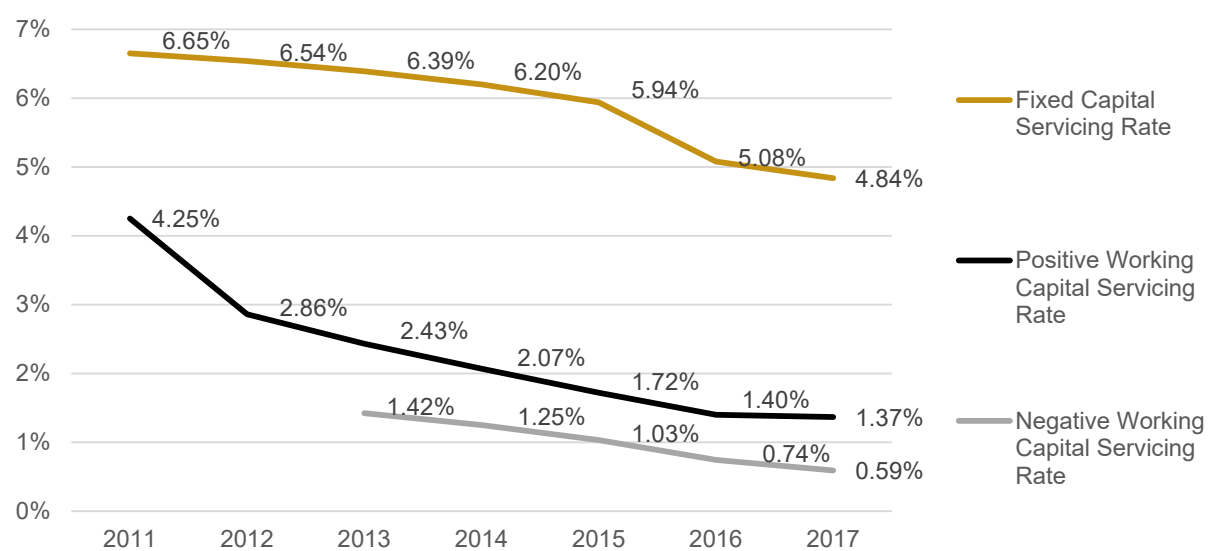
The CSA, and by implication capital servicing rates (CSRs), serve two purposes in the relation to setting the profit rate on QDCs. They are used to adjust each profit level indicators (PLIs) of each company which is used to set the baseline profit rate (BPR). This in most cases has the effect of lowering the BPR. They are then used at 'Step 6' of the adjustment to the BPR, to account for capital employed at the contract level. In summary the CSRs are used to strip out a measure of return on capital from the BPR and then later add it back in at the contract level.

	2015	YoY change	2016	YoY change	2017
Fixed Capital Servicing Rate	5.94%	-86pp	5.08%	-24pp	4.84%
Positive Working Capital Servicing Rate	1.72%	-32pp	1.40%	-3pp	1.37%
Negative Working Capital Servicing Rate	1.03%	-29pp	0.74%	-15pp	0.59%

Data sources

Positive Working Capital Servicing Rate ^a	
'BBB GBP' bond	C4051Y INDEX
BBB Euro bond	C4681Y INDEX
'BBB-Euro' bond	C4691Y INDEX
'New BBB Euro' bond	BVCSE201 INDEX
'New BBB-Euro' bond	BVCSE101 INDEX
Negative Working Capital Servicing Rate ^b	
Monthly average of UK resident monetary financial institutions	CFMBI32
Fixed Capital Servicing Rate ^a	
'BBB GBP' bond	C40515Y INDEX
^a Bloomberg	
^b Bank of England	

Trends in Capital Servicing Rates



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The SSRO funding adjustment

$$\text{SSRO funding adjustment} = \frac{\text{SSRO costs} - \text{Cost of additional tasks requested by SofS}}{\text{Total value of QDCs}} \times \frac{1}{2}$$

The SSRO costs and the costs of additional tasks requested by the Secretary of State are the arithmetic averages of the three full financial years preceding the year of the recommendation.

Where the SSRO's audited financial information is not yet available for three years, the funding adjustment will be based on those years that are available.

Calculation of SSRO funding adjustment

Financial year	2013/14	2014/15	2015/16	2016/17	2017/18
SSRO running costs (£million)	-	-	4.920	-	-
SofS task related SSRO expenditure (£million)	-	-	0.000	-	-
Total allowable costs of QDCs and QSCs (£million)	-	-	9955.272	-	-
SSRO running costs (£million) - 3 year average	-	-	-	-	4.920
SofS task related SSRO expenditure (£million) - 3 year average	-	-	-	-	0.000
Total allowable costs of QDCs and QSCs (£million) - 3 year average	-	-	-	-	9955.272
SSRO funding adjustment = ((a-b)/c)/2	-	-	-	-	0.025%

Data sources

The SSRO costs and the costs of additional tasks requested by the Secretary of State will be drawn from the audited financial statements in the preceding three financial years.

The total allowable costs of QDCs is extracted from DefCARS. The total allowable costs of QDCs is based on:

- Data for any contract with a time of agreement between 1 April and 31 March of a given financial year, i.e. 1 April 2015 to 31 March 2016.
- The total allowable costs (including any Risk Contingency Allowance) reported in the latest available Contract Notification Reports as of the date of extraction.