

This annual bulletin presents key statistics relating to contracts that became qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) between 1 April 2024 and 31 March 2025. Data is also presented since 1 April 2015, the start of the financial year in which contract reports were first submitted.

The SSRO was notified of 762 contracts that became QDCs/QSCs between 1 April 2015 and 31 March 2025. This analysis in this bulletin is based on 707 contracts that became QDCs/QSCs by 31 March 2025, and for which the SSRO had received contract reports by 30 April 2025, as contractors have one month after the date the contract becomes a QDC/QSC to submit certain reports.

The analysis is based on data taken from reports submitted by the contractors for each QDC/QSC as of 30 April 2025. The data may be updated or changed in subsequent reports and may not reflect values at contract completion. Where any figures have been revised from those previously published, this is denoted by an 'r'.

Data for both QDCs and QSCs are reported in these statistics. The total price of all QDCs/QSCs includes QSC prices counted both within the 'parent' QDC price and separately, to present data on the price of all contracts subject to the Single Source Contract Regulations 2014. QDC and QSC prices are also reported separately in the 'Price and pricing method' section of this bulletin.

The bulletin contains statistics under the following sections:

- **Number, duration and SME involvement**
- **Price and pricing methods**
- **Profit**
- **Sub-contracts**
- **Outturn price in completed contracts**

2024/25 QDC/QSC Statistics

#

Total number of contracts is...

707 → 595 QDCs
112 QSCs



Total estimated contract prices of all QDCs/QSCs

£124.6
billion



57%

of QDCs/QSCs have a planned duration of > 4 years



£

200 completed contracts across all years representing... **13%** of total estimated contract price



Reported costs and profit for completed contracts

Estimates at latest time of agreement

£15.1bn

£1.5bn

Actuals & Forecast

£14.1bn

£1.5bn

■ Allowable Costs
■ Profit

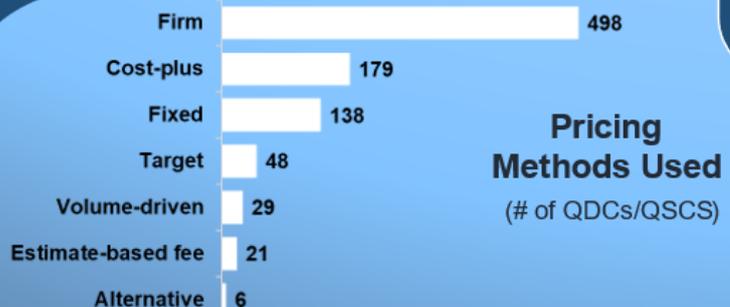
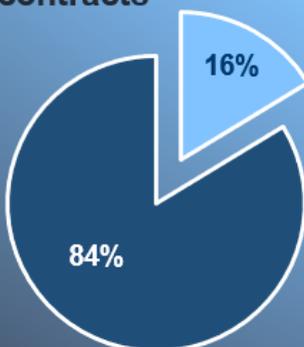
%

Average estimated contract profit rate across all contracts

9.51%



16% of total estimated contract price attributable to sub-contracts



Pricing Methods Used
(# of QDCs/QSCs)



Key Statistics

In the financial year between 1 April 2024 and 31 March 2025:

- There were 77 contracts that became QDCs/QSCs and provided reports (56 QDCs, and 21 QSCs).
- The total estimated price of these QDCs/QSCs was £13.5 billion (£13.3 billion of QDCs and £0.3 billion of QSCs, this excludes alternative priced elements of contracts).
- The mean estimated contract profit rate was 9.78 per cent.

Between 1 April 2015 and 31 March 2025:

- There were 707 contracts that became QDCs/QSCs and provided reports (595 QDCs and 112 QSCs).
- The total estimated contract price of these QDCs/QSCs was £124.6 billion (£114.0 billion of Allowable Costs, and £10.4 billion of profit and £0.2 billion of alternative pricing).
- The mean estimated contract profit rate for these QDCs/QSCs was 9.51 per cent.
- Of the 707 contracts that became QDCs/QSCs in this period, 200 contracts have now completed. Sufficient data was given for 192 contracts, representing 13.6 per cent of the total estimated contract price for all QDCs/QSCs (£16.7 billion).

Trends and changes

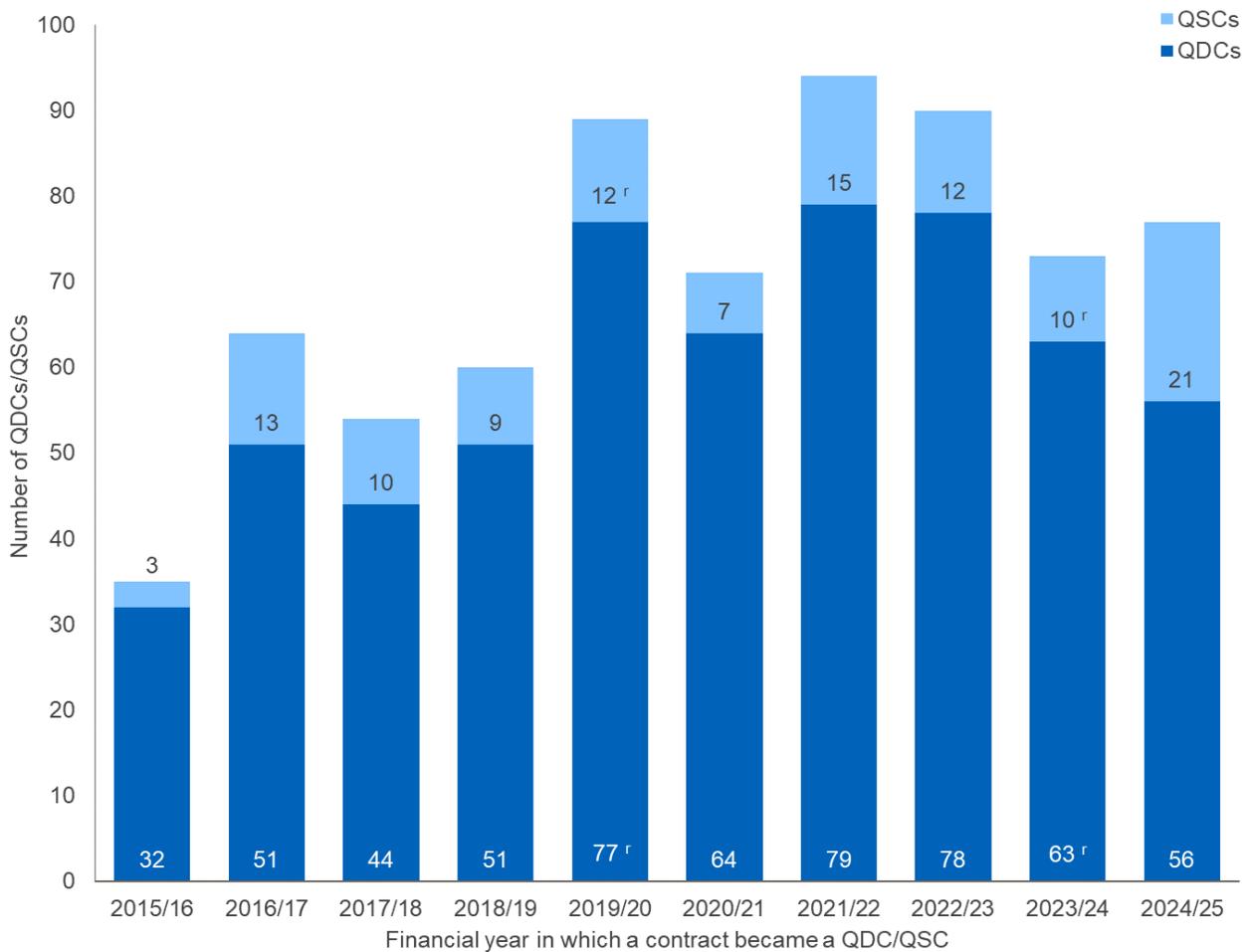
- In 2024/25, 21 contracts became QSCs, which is the highest number of QSCs entered into in any single financial year to date.
- The total estimated price of contracts that became QDCs/QSCs in 2024/25 was higher than the previous two years (£13.5bn in 2024/25 compared to £5.6bn in 2023/24 and £4.3bn in 2022/23). This is also the highest initial estimated total contract price for any financial year since the start of the regime (contracts in previous years may have been amended, extended or submitted corrected reports, meaning they are now showing higher estimated prices than in their initial year of reporting; see Table 4).
- The mean estimated contract price more than doubled in 2024/25 (£176 million) from that in 2023/24 (£76 million). However, the median estimated contract price in 2024/25 was the lowest figure since the start of the regime (£11 million). The mean estimated contract price has been influenced by a small number of higher price contracts.
- In respect of the number of QDCs/QSCs using each pricing method, firm pricing has been and continues to be the most used pricing method every year. The new alternative pricing methods introduced in April 2024 have been used in six contracts.
- For contracts that became QDCs/QSCs in 2024/25, the average (mean) contract profit rate at the latest time of agreement was 9.78 per cent, a decrease of 0.07 percentage points compared to an average of 9.85 per cent in 2023/24 QDCs/QSCs. The range of estimated profit rates in 2024/25 contracts reported was from 6.2 per cent to 15.1 per cent.
- The average cost risk adjustment in 2024/25 was minus 0.16 per cent, the first time in any financial year that this average has been negative.
- The number of reported sub-contracts (with a value of £1 million or more) associated with QDCs/QSCs) increased in 2024/25 to 243, compared to 82 in 2023/24. Accordingly, the total estimated price of reported sub-contracts was also much higher for 2024/25 QDCs/QSCs than for 2023/24 QDCs/QSCs, at £2.7 billion compared to £1.1 billion. The average sub-contract price in 2024/25 has fallen to the lowest level since 2015/16 to £5.9 million.
- Over a quarter (28 per cent, 200 contracts) of all contracts that became QDCs/QSCs have now completed. Sufficient price information submitted for 192 contracts reported a 6 per cent decrease in the total actual/forecast contract price when compared to the estimated price at the latest time of agreement. This consists of a £1 billion reduction in Allowable Costs, and a £9 million increase in profit.

Number, duration and SME involvement

Number and average duration of QDCs/QSCs and the number of QDCs/QSCs contracted to SMEs.

- In 2024/25, the SSRO received initial contract reports for 77 QDCs/QSCs (56 QDCs and 21 QSCs).
- Since 1 April 2015, the SSRO has received reports for 707 QDCs/QSCs (595 QDCs and 112 QSCs).
- Of these 707 QDCs/QSCs, 200 QDCs/QSCs have since completed.
- These QDCs/QSCs were with 218 different contracting companies, and 165 Global Ultimate Owners (GUOs).
- 29 of these 707 QDCs/QSCs were with contracting companies that self-identified as a small or medium enterprise (SME).
- The average (mean) estimated contract duration was 4.9 years across all QDCs/QSCs.

Figure 1: Number of QDCs/QSCs by financial year in which contract became QDC/QSC



As of 30 April 2025, the SSRO had received reports for a total of 707 QDCs/QSCs (595 QDCs and 112 QSCs), as can be seen in Figure 1 which breaks the total down to show the number of contracts which became QDCs/QSCs in each year. There were 77 contracts that became QDCs/QSCs in 2024/25, compared to 73 QDCs/QSCs in 2023/24.

Figure 2 below shows the number of contracts which became QDCs/QSCs in each year, split between those that have completed and those that are still active. For the purposes of these statistics, a completed contract is defined as a contract with a submitted Contract Completion Report (CCR), which is due six months after contract completion. If the CCR has not been submitted, then a contract is defined as 'active'. Please refer to the Methodology section for further details on how completed contracts are defined. Since 1 April 2015, 200 of the 707 QDCs/QSCs have completed.

The number of completed contracts below provides an indication of how 'final' the data reported for each year is. The majority of QDCs/QSCs are still active, and so will provide further contract update reports with potentially revised data which will be reflected in subsequent bulletins.

Figure 2: Stock of active and completed QDCs/QSCs, by financial year in which the contract became a QDC/QSC, as at 30 April 2025

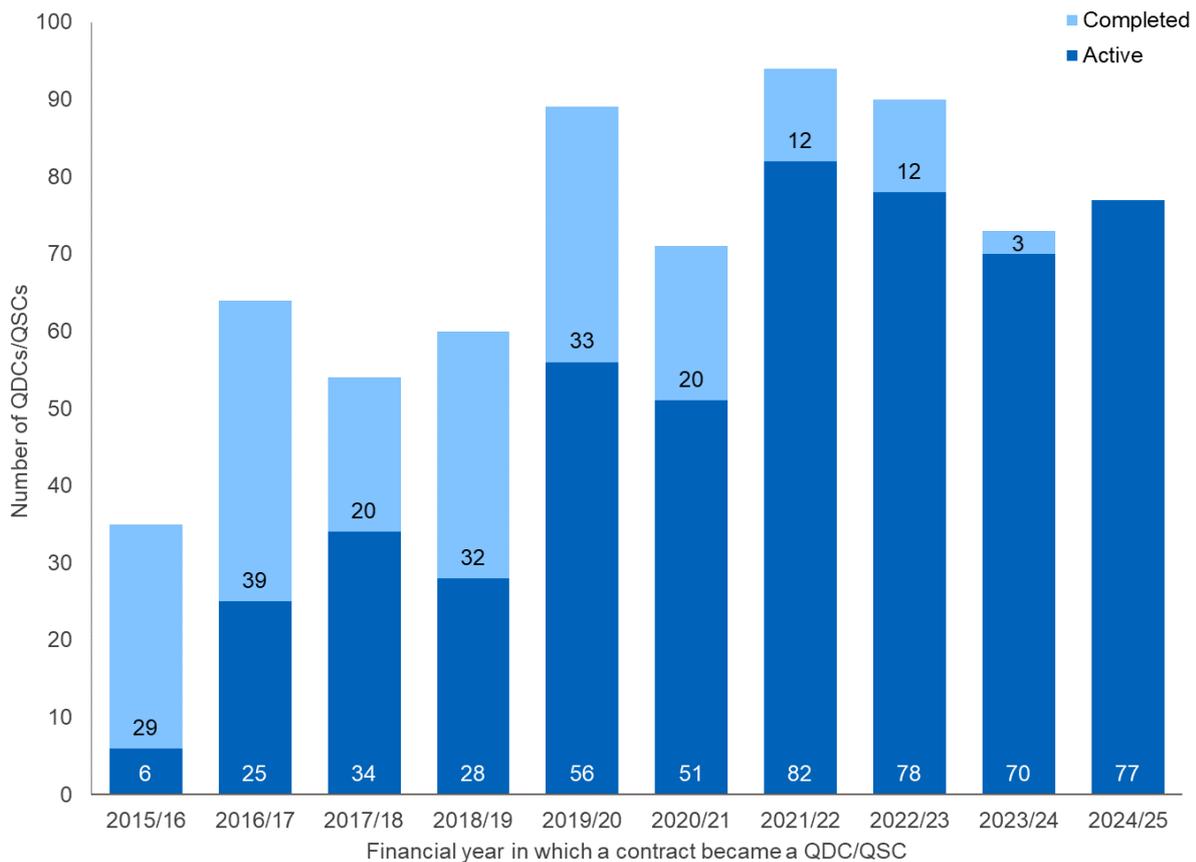
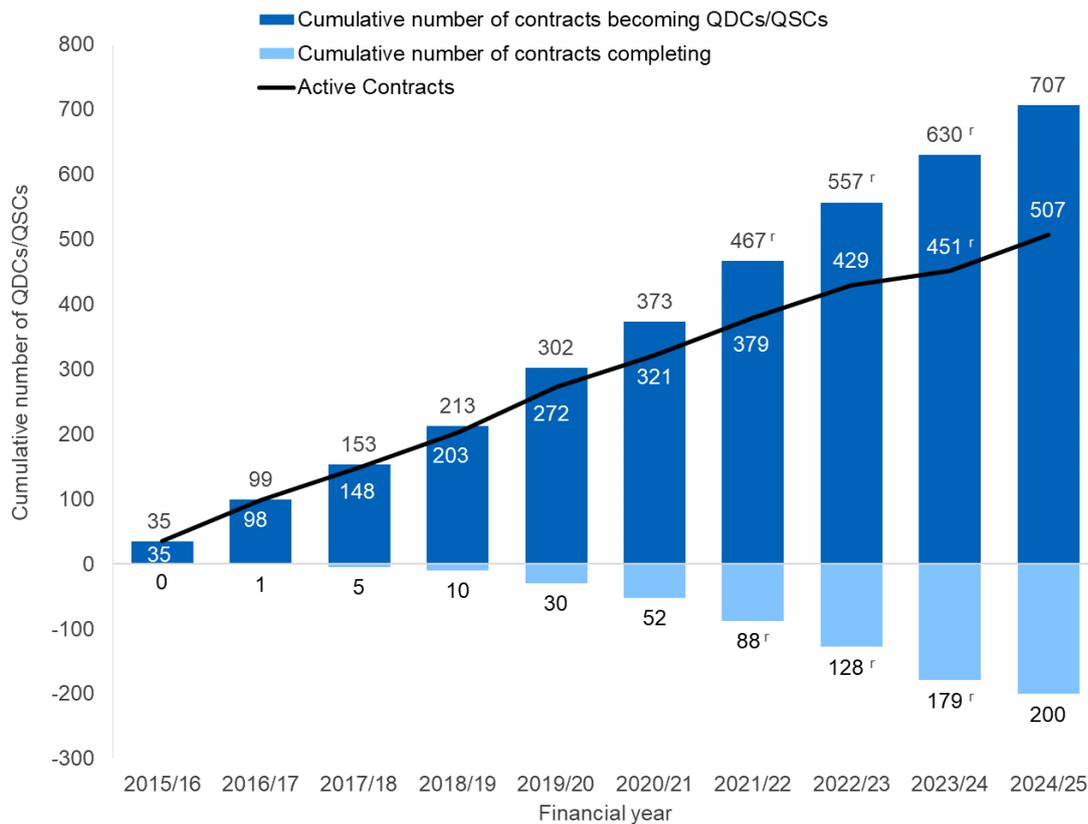


Figure 3 shows the cumulative flow of contracts becoming QDCs/QSCs, and those completing in each year, with active contracts shown as the net of these. It can help with understanding the number of active contracts subject to the regime. Currently, of the 707 contracts which became QDCs/QSCs, 507 are still considered active.

Figure 3: Cumulative flow of contracts which became QDCs/ QSCs and completed and stock of active contracts



Duration

The duration data presented in this section is based on estimated contract duration at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment). The actual duration determined when the contract completes may differ from this estimated contract duration. The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected contract completion date. Alternatively, where a contract has completed, the estimated contract duration presented represents the time between the date the contract became a QDC/QSC and its contract completion date.

The average (mean) estimated duration of the 77 contracts which became QDCs/QSCs in 2024/25 was 3.4 years (see Table 1). The average estimated duration across all QDCs/QSCs was 4.9 years. Table 1 also shows the average duration by financial year in which the contract became a QDC/QSC as reported in previous annual statistical bulletins. Some of the data in Table 1 does not, therefore, account for any corrections or any late submissions made within subsequent years to the relevant year in question. The average duration of contracts that became QDCs/QSCs in earlier financial years has been increasing, reflecting the fact that contracts can be amended, extended or reports corrected. For example, 2015/16 QDCs/QSCs were reporting an average duration of 4.7 years in the 2018/19 bulletin but are now reporting an average of 6.3 years. The accompanying data also contains a breakdown of the average duration by QDC/QSC.

Table 1: Average (mean) estimated contract duration¹ of QDCs/QSCs by financial year in which contract became a QDC/QSC, and average duration from previous bulletins

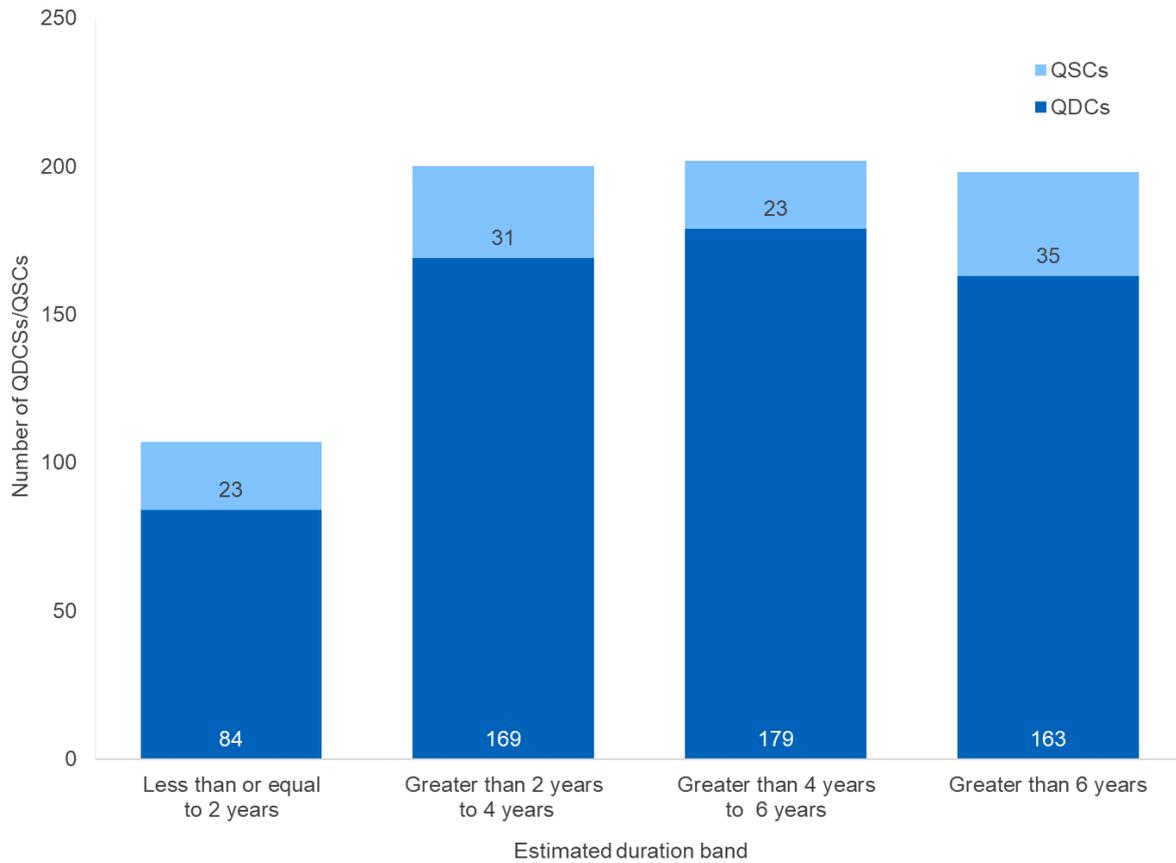
Financial year in which contract became a QDC/QSC	Average duration (years) from 2018/19 bulletin	Average duration (years) from 2019/20 bulletin	Average duration (years) from 2020/21 bulletin	Average duration (years) from 2021/22 bulletin	Average duration (years) from 2022/23 bulletin	Average duration (years) from 2023/24 bulletin	Average duration (years)
2015/16	4.7	5.0	5.2	5.5	6.2	6.3	6.3
2016/17	4.7	5.0	5.2	5.6	6.1	6.4	6.6 r
2017/18	3.9	4.1	4.5	5.0	5.6	5.9	6.4 r
2018/19	4.3	4.5	4.6	5.2	5.4	5.6	5.7
2019/20		3.9	3.8	4.2	4.5	4.8	5.2 r
2020/21			3.9	4.1	4.4	4.7	5.2 r
2021/22				4.0	4.0	4.4	4.7 r
2022/23					3.9	3.8	4.1 r
2023/24						3.2	3.5 r
2024/25							3.4
Overall	4.4	4.4	4.4	4.4	4.8	4.9	4.9

Note: The 'r' in this table represents a revision from the Q3 2024/25 statistics bulletin, rather than the 2023/24 bulletin shown alongside.

Figure 4 shows the estimated duration of all 707 QDCs/QSCs, with 402 contracts (57 per cent) having a duration of between more than two years to six years. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC. As contracts mature, they can be amended and extended, so the estimated duration of older contracts tends to be longer than for newer contracts. For example, 80 per cent of contracts which became QDCs/QSCs in 2015/16 are estimated to be completed in more than four years, compared with 31 per cent for 2024/25 QDCs/QSCs. The estimated duration of a contract can continue to change throughout the contract's life; the actual duration will be reported when the contract is complete.

¹ The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected contract completion date. Where a contract has completed, the estimated contract duration presented represents instead the time between the date the contract became a QDC/QSC and its contract completion date.

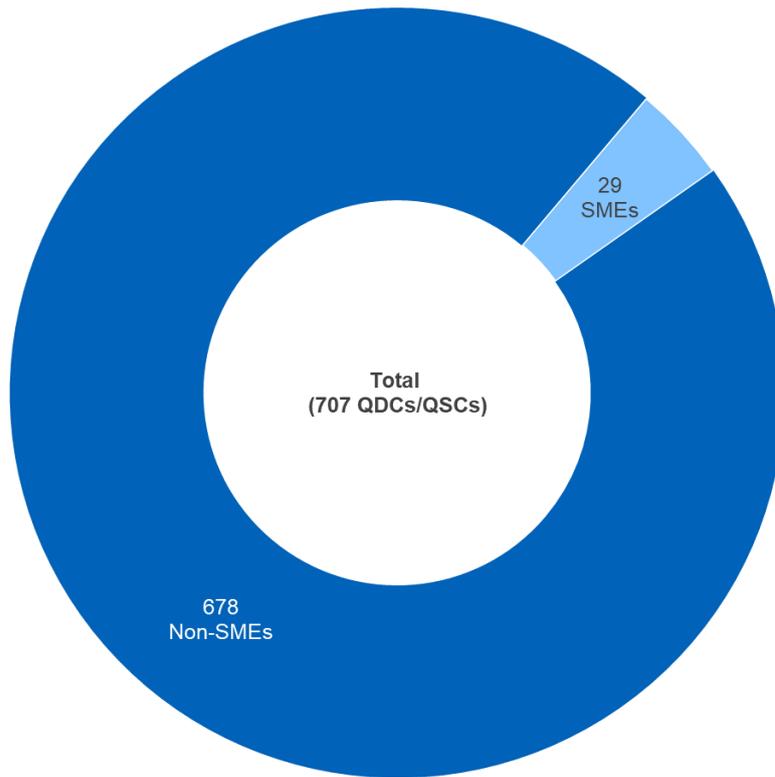
Figure 4: Number of QDCs/QSCs by estimated duration for all QDCs/QSCs



Small and Medium-Sized Enterprises (SMEs)

Figure 5 below shows 4 per cent (29 QDCs/QSCs) of the 707 QDCs/QSCs were contracted with small or medium enterprises (SMEs), as self-reported by the contracting companies. All 29 contract were QDCs. The total number of SMEs has reduced since the previous annual bulletin, as this data is self-reported by the contracting companies, and a number of contractors have submitted newer reports that now state they are not an SME. The SSRO is planning to conduct a review into the quality of this self-reported data during 2025/26. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC, as well as a breakdown by QDC/QSC. Figure 18 in the sub-contracts section also explores the use of SMEs within the supply chain.

Figure 5: Number of QDCs/QSCs that are contracted to SMEs, for all QDCs/QSCs



Note: The SME status of a contractor or sub-contractor uses data as submitted by the contractors themselves; for the purposes of this bulletin and analysis, the SSRO has not assessed the data submitted to determine whether the contractor or sub-contractor was correct to conclude it falls within the definition of SME as set out in regulation 2 of the Single Source Contract Regulations 2014.

Contracting companies and Global Ultimate Owners

Table 2 shows how many unique contracting companies and Global Ultimate Owners (GUOs) the QDCs/QSCs were with, by financial year. As of 30 April 2025, the 707 QDCs/QSCs were awarded to 218 different contracting companies, which in turn are owned by 165 unique GUOs. For more details on how the contracting company and GUO are sourced, please refer to the methodology section.

Table 2: Number of unique Contracting Companies and Global Ultimate Owners that have QDCs/QSCs, by financial year in which their first contract became a QDC/QSC

Financial year in which contract became a QDC/QSC	Cumulative number of contracting companies	Cumulative number of GUOs
2015/16	23	18
2016/17	53 r	40
2017/18	77 r	55 r
2018/19	102 r	76 r
2019/20	127 r	95 r
2020/21	146 r	111 r
2021/22	162 r	122 r
2022/23	186 r	138 r
2023/24	203 r	152 r
2024/25	218	165

Price and pricing methods

Total estimated contract price of QDCs/QSCs, split by Allowable Costs and profit, and the contract pricing methods employed.

Summary

- Since 1 April 2015, the total estimated price of all QDCs/QSCs was £124.6 billion (£114.0 billion of Allowable Costs, and £10.4 billion of profit and £0.2 billion of alternative pricing). All other prices in this summary exclude alternative pricing.
- The total estimated price of contracts which became QDCs/QSCs in 2024/25 was £13.5 billion (£12.3 billion of Allowable Costs, £1.2 billion of profit). Within this, QDCs had an estimated price of £13.3 billion, and QSCs £0.3 billion. This excludes alternative priced elements of contracts.
- The mean estimated contract price of a contract that became a QDC/QSC in 2024/25 was £176 million, whilst the median was £11 million.
- Across all years, the majority (71 per cent) of the 698 QDCs/QSCs that submitted pricing method data used firm pricing as the pricing method in all or a proportion of the contract (nine contracts did not submit pricing method data).

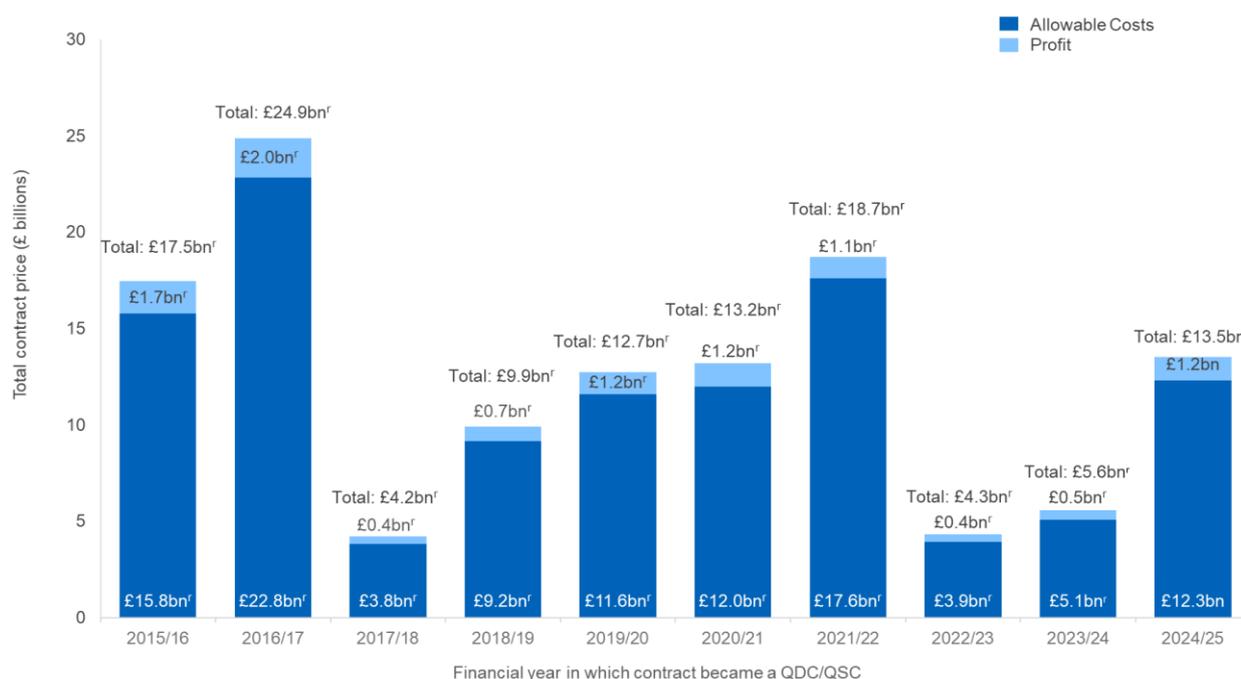
The data presented in this section is based on the estimated contract price at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment) and does not necessarily represent the price once the contract is complete.

The contract price in previous statistics bulletins is the sum of the Allowable Costs and profit. From 1 April 2024, contracts or components of contracts (a component of a contract means a part of a contract that is to be treated distinctly from other such parts in determining the price payable under a contract) may use alternative pricing methods under which costs and profits are not determined and identified separately for the purposes of pricing the contract. Other than Table 3, contracts and components of contracts which cannot separate costs and profit are not currently included in statistics in this bulletin. This is to preserve data confidentiality on account of the current low number of these contracts and components. The rest of the contract price statistics therefore align to the subtotal shown in Table 3, not to the total.

Table 3: Estimated stock of total contract price of QDCs/QSCs, split by estimated cost, profit and alternative pricing where costs are indistinguishable from profit

Cost price element	Amount (£m)
Allowable Costs	114,038
Profit	10,426
Allowable Costs + Profit	124,464
Alternative pricing	164
Total	124,628

Figure 6: Estimated stock of total contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC², split by estimated cost and profit



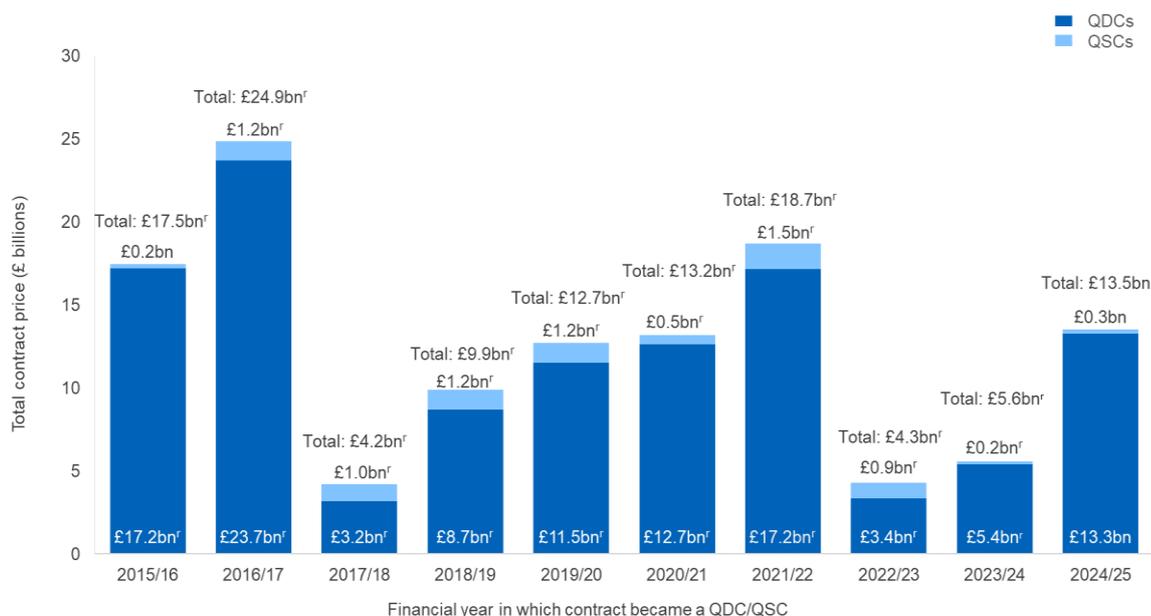
Note: From 1 April 2024, alternative pricing methods may be used in particular circumstances for contracts or components of contracts where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in these statistics on contract price. These currently have a combined estimated price of £164m.

Figure 6 shows the stock of the total estimated contract price by financial year in which a contract became a QDC/QSC, split by Allowable Costs and profit. The total estimated contract price for contracts that became QDCs/QSCs in 2024/25 was higher than in the previous year, at £13.5 billion in 2024/25 compared to £5.6 billion in 2023/24. Differences in the annual total estimated contract price are influenced by the number and price of contracts which became new QDCs/QSCs each year, as well as amendments to existing QDCs/QSCs affecting previous years' reported figures. A small number of high value contracts can therefore have a substantial effect on the total. Please note that the total estimated contract price may sometimes include costs incurred before a contract became a QDC/QSC ('sunk costs').

The total price of all QDCs/QSCs includes QSC prices counted both within the 'parent' QDC price and separately, to present data on the price of all contracts subject to the Single Source Contract Regulations. Figure 7 shows the stock of the total estimated contract price by financial year in which a contract became a QDC/QSC, split by contract type (whether the contract is a QDC or a QSC).

² Note: Calculating the percentage of profit on total Allowable Costs using the above figures represents the cost weighted average profit rate. Therefore, this will differ from the average estimated profit rate reported in Table 6 and Figures 14 and 15.

Figure 7: Estimated stock of total contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC, split by contract type



Note: From 1 April 2024, alternative pricing methods may be used in particular circumstances for contracts or components of contracts where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in these statistics on contract price. These currently have a combined estimated price of £164m.

Across all QDCs/QSCs in all financial years, the majority (£116.2 billion; 93 per cent) of the total estimated contract price is associated with QDCs, with seven per cent (£8.3 billion) of the estimated contract price from QSCs. In 2024/25, the percentage of the estimated price associated with QSCs was two per cent.

Table 4 shows the total estimated contract price by year as reported in previous statistical bulletins. These are as reported in the relevant previous annual bulletins, and so have not been updated for any corrections or any late submissions made within subsequent years. As with the average duration, the total contract price of contracts that became QDCs/QSCs in earlier financial years has been increasing, reflecting the fact that contracts can be amended, extended or reports corrected. For example, 2016/17 QDCs/QSCs were reporting a total contract price of £10.6 billion in the 2018/19 bulletin but are now reporting £24.9 billion.

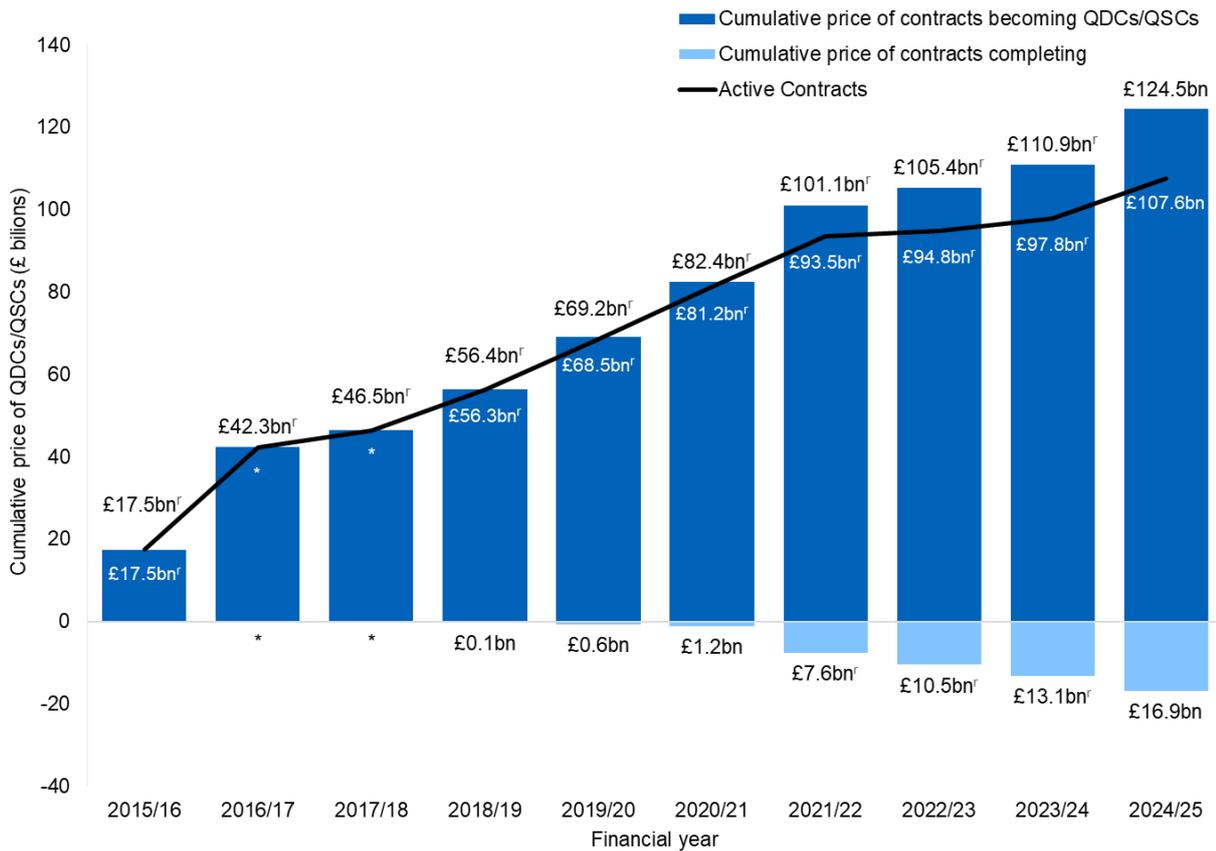
Table 4: Total estimated contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC, and total contract price from previous bulletins

Financial year in which contract became a QDC/QSC	Total Contract Price (£m) from 2018/19 bulletin	Total Contract Price (£m) from 2019/20 bulletin	Total Contract Price (£m) from 2020/21 bulletin	Total Contract Price (£m) from 2021/22 bulletin	Total Contract Price (£m) from 2022/23 bulletin	Total Contract Price (£m) from 2023/24 bulletin	Total Contract Price (£m)
2015/16	9,556	12,567	12,966	13,562	17,321	17,444	17,451 r
2016/17	10,567	11,939	13,943	17,737	21,816	23,352	24,874 r
2017/18	2,827	2,898	2,971	3,175	3,698	3,991	4,204 r
2018/19	3,805	4,502	5,992	6,670	7,808	8,893	9,890 r
2019/20		8,888	10,455	10,973	11,446	12,185	12,736 r
2020/21			4,703	5,888	7,208	13,047	13,196 r
2021/22				8,105	11,116	14,577	18,723 r
2022/23					3,209	3,871	4,299 r
2023/24						4,601	5,561 r
2024/25							13,531
Overall	26,755	40,793	51,029	66,110	83,621	101,960	124,464

Note: The 'r' in this table represents a revision from the Q3 2024/25 statistics bulletin, rather than the 2023/24 bulletin shown alongside. From 1 April 2024, alternative pricing methods may be used in particular circumstances for contracts or components of contracts where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in these statistics on contract price. These currently have a combined estimated price of £164m.

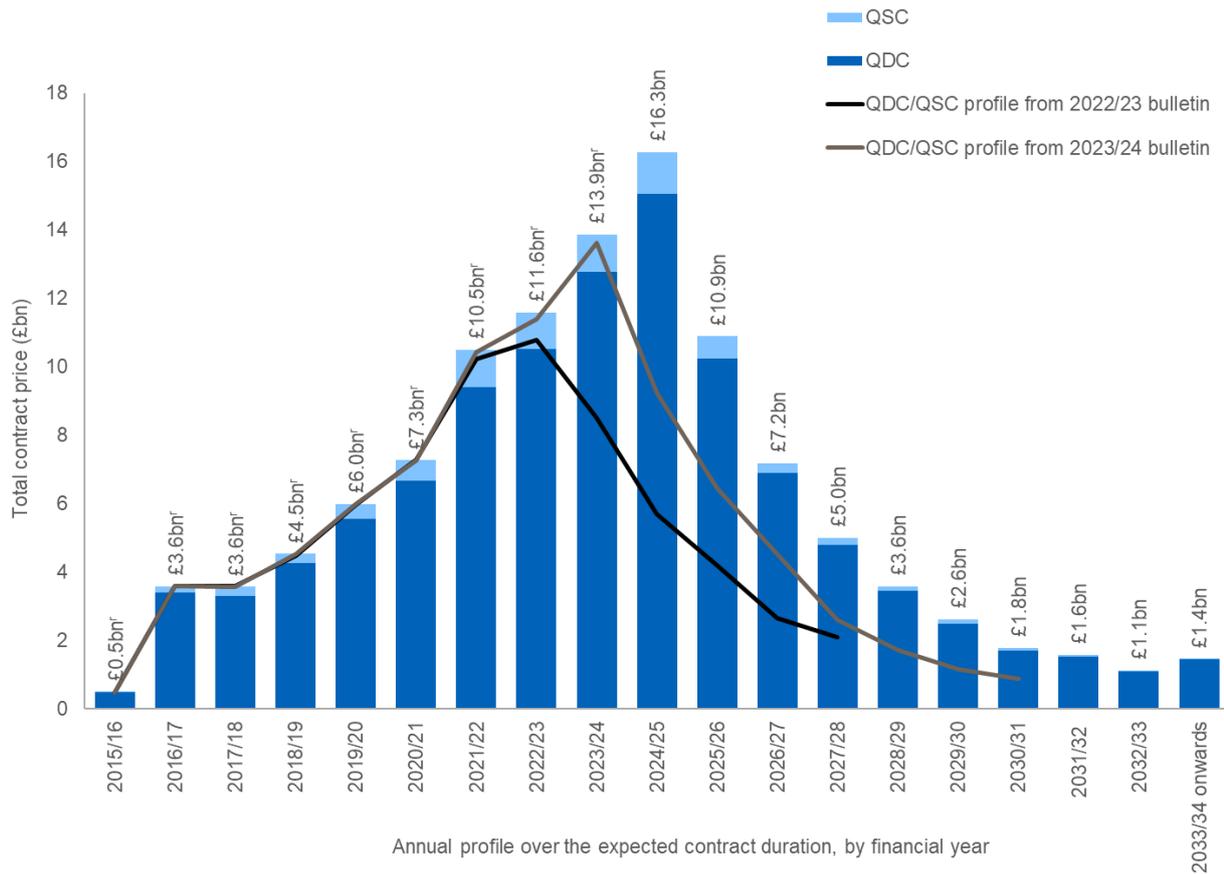
Of the £124.5 billion of total estimated contract price, £16.9 billion (14 per cent) is with contracts that have now completed, as can be seen in Figure 8. The remaining 'active' contracts account for £107.6 billion of the total contract price, which is still subject to change, due to potential future amendments, report corrections or extensions.

Figure 8: Cumulative flow of the estimated price of contracts which became QDCs/ QSCs and completed and stock of active contracts



Note: Some figures have been suppressed due to low contract numbers. From 1 April 2024, alternative pricing methods may be used in particular circumstances for contracts or components of contracts where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in these statistics on contract price. These currently have a combined estimated price of £164m.

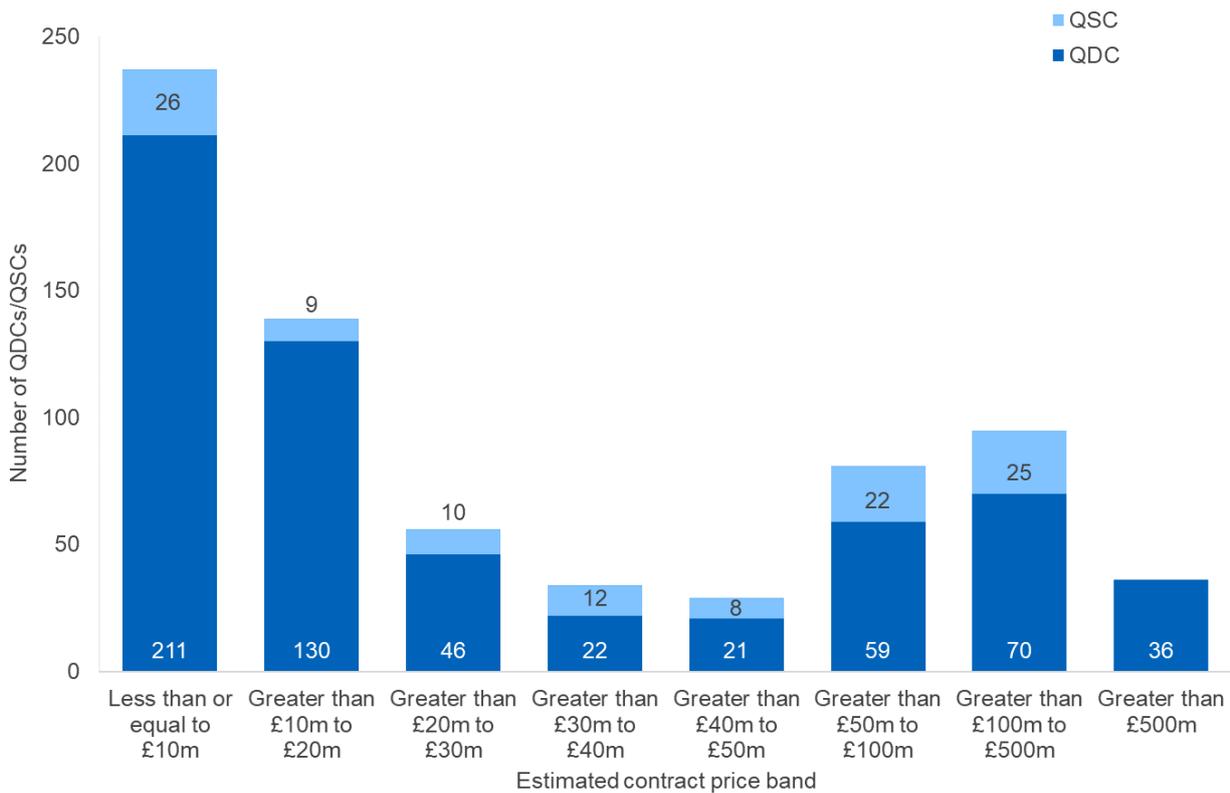
Figure 9: Flow of the estimated total contract price of all QDCs/QSCs, annual profile over the expected contract duration (excluding unprofiled amounts), by financial year



Note: Financial years from 2033/34 onwards have been combined due low numbers of QDCs/QSCs reporting in these years. The profiles for previous bulletins are as reported in the relevant previous bulletin, and so have not been updated for any corrections or any late submissions made since the relevant bulletin was published. These bulletins only showed annual data to 2030/31. In some cases, the total contract price broken down by annual profile did not equal the total contract price reported elsewhere in the contract reports.

Figure 9 shows the annual flow of estimated total contract price for 698 QDCs/QSCs who had provided annual price data, over the expected contract duration (9 contracts did not provide annual profile data). As per the profiles from the previous bulletins, there was a peak in the total estimated price in the current year, as this is the latest year in which new contracts have entered the regime and many QDCs/QSCs from previous years are still active. The annual total estimated price begins to decrease in future financial years, as contracts are expected to complete. As new contracts become QDCs/QSCs, the values in future financial years are expected to increase, as evidenced by the profiles from the previous two bulletins. The figures include reported pricing data profiled for 2015/16 onwards, but contractors may not profile the price, or may only profile some of the price, or may not profile it in the standard fields of the contract reports used in this analysis, for example where there are sunk costs. The data in Figure 9 above accounts for £110.2 billion of the £124.5 billion total estimated contract price reported to date across all financial years.

Figure 10: Number of QDCs/QSCs by estimated contract price for all QDCs/QSCs



Note: From 1 April 2024, alternative pricing methods may be used in particular circumstances for contracts or components of contracts where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in these statistics on contract price. These currently have a combined estimated price of £164m.

Figure 10 shows the number of QDCs/QSCs by price band for all QDCs/QSCs. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC. For QDCs, the lower price bands of 'less than or equal to £10m' and 'greater than £10m to £20m' were the two most common price bands. There is a contract value threshold of £25m for a sub-contract to become a QSC, and so there are greater proportions of QSCs within the higher price bands than the lower bands. The value is determined in accordance with regulation 5 of the Single Source Contract Regulations, and this is distinct from the contract price, which is determined in accordance with regulation 10 or one of the alternative pricing methods (regulations 19A to 19G). Some QSCs may therefore have a contract price of less than £25 million, and still be assessed as a QSC.

Table 5: Mean and median estimated contract price, by financial year in which contract became a QDC/QSC, and contract type

Financial year in which contract became a QDC/QSC	Mean contract price (£m)	Median contract price (£m)
2015/16	499 r	35
2016/17	389 r	32
2017/18	78 r	19
2018/19	165 r	21
2019/20	143 r	26
2020/21	186 r	16
2021/22	199 r	16 r
2022/23	48 r	16 r
2023/24	76 r	14 r
2024/25	176	11
Total	176	17
QDC	195	17
QSC	74	17

Note: From 1 April 2024, alternative pricing methods may be used in particular circumstances for contracts or components of contracts where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in these statistics on contract price. These currently have a combined estimated price of £164m.

Table 5 shows the mean and median estimated contract prices, by financial year. Across all financial years, the mean estimated contract price is £176 million, and the median price is £17 million. The mean estimated contract price for 2024/25 contracts is £100 million higher than the mean of those in 2023/24, though the median is similar. In each year, the median contract price is much lower than the mean, as there are a smaller number of large contracts that tend to skew the mean upwards. There is a large difference in the mean contract price between QDCs and QSCs, at £195 million and £74 million respectively. However, the median contract price is exactly the same for both QDCs and QSCs.

Pricing methods

Regulation 10 of the Single Source Contract Regulations 2014 specifies six default pricing methods that can be used to determine the price payable for a QDC/QSC. The method used to price a QDC/QSC may influence the final price and profit payable, and the incentive to control costs. The six default pricing methods are as follows:

- Firm pricing;
- Fixed pricing;
- Cost-plus pricing;
- Estimate-based fee pricing;
- Volume-driven pricing; and
- Target pricing.

From 1 April 2024, the Regulations were amended to allow for new alternative pricing methods to be used in QDCs/QSCs in particular circumstances. These are intended to be used in circumstances where application of the pricing formula may not be possible or because a fair price can be satisfactorily established by other means. This includes, for example, where prices are already regulated or where there is a market price which can act as a reference. The number of contracts utilising these alternative pricing methods to date is low, and so they have all been

grouped into an 'alternative pricing method' group for the purposes of the statistics that follow in this section, including those reported under Regulation 19G 'Aggregation of Components'. Nine contracts did not provide any pricing method data, and so have been excluded from analysis in this section.

Figure 11 shows how many QDCs/QSCs used one, two or three or more pricing methods in the pricing of their contract. Out of the 698 QDCs/QSCs where pricing method data was provided, the majority (517 QDCs/QSCs; 74 per cent) reported using just one pricing method in the pricing of the contract, whilst 148 QDCs/QSCs used two pricing methods (21 per cent) and 33 QDCs/QSCs used three or more pricing methods (5 per cent).

Figure 11: Number of QDCs/QSCs that have used 1, 2 and 3 or more pricing methods in the contract

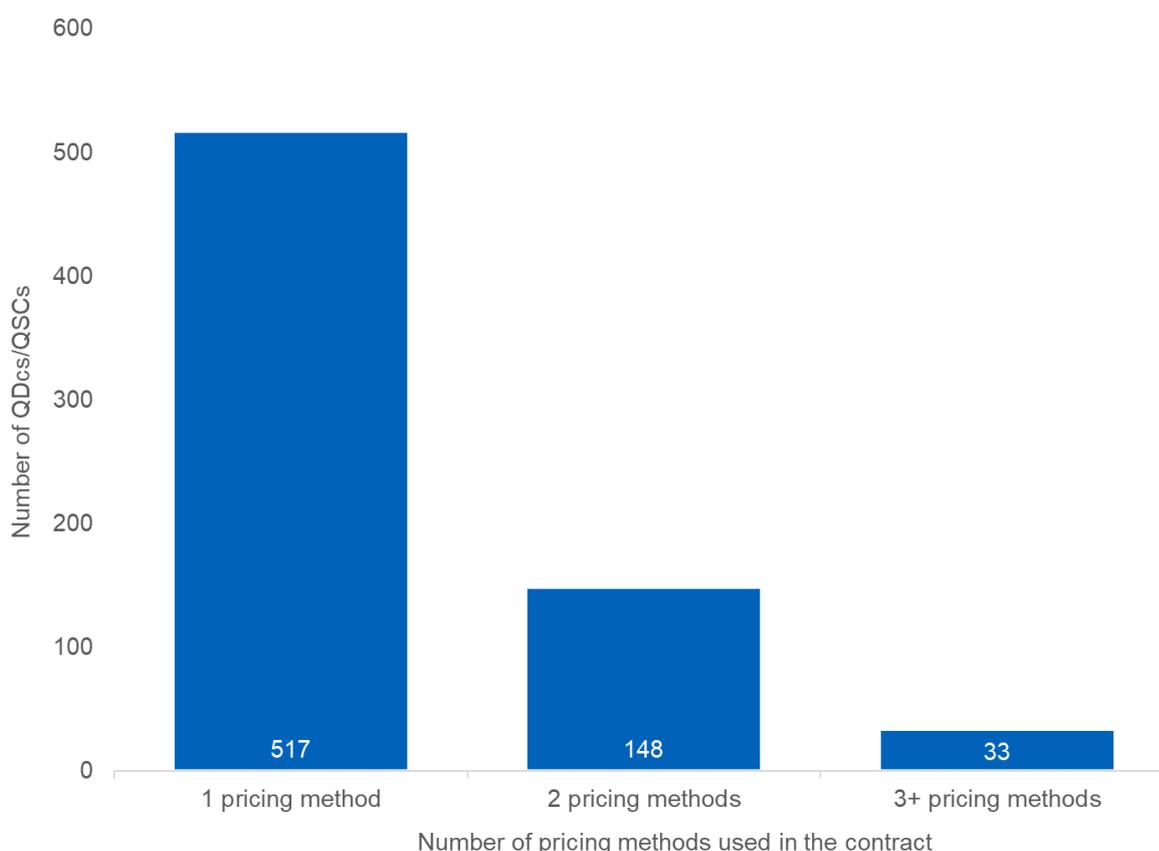
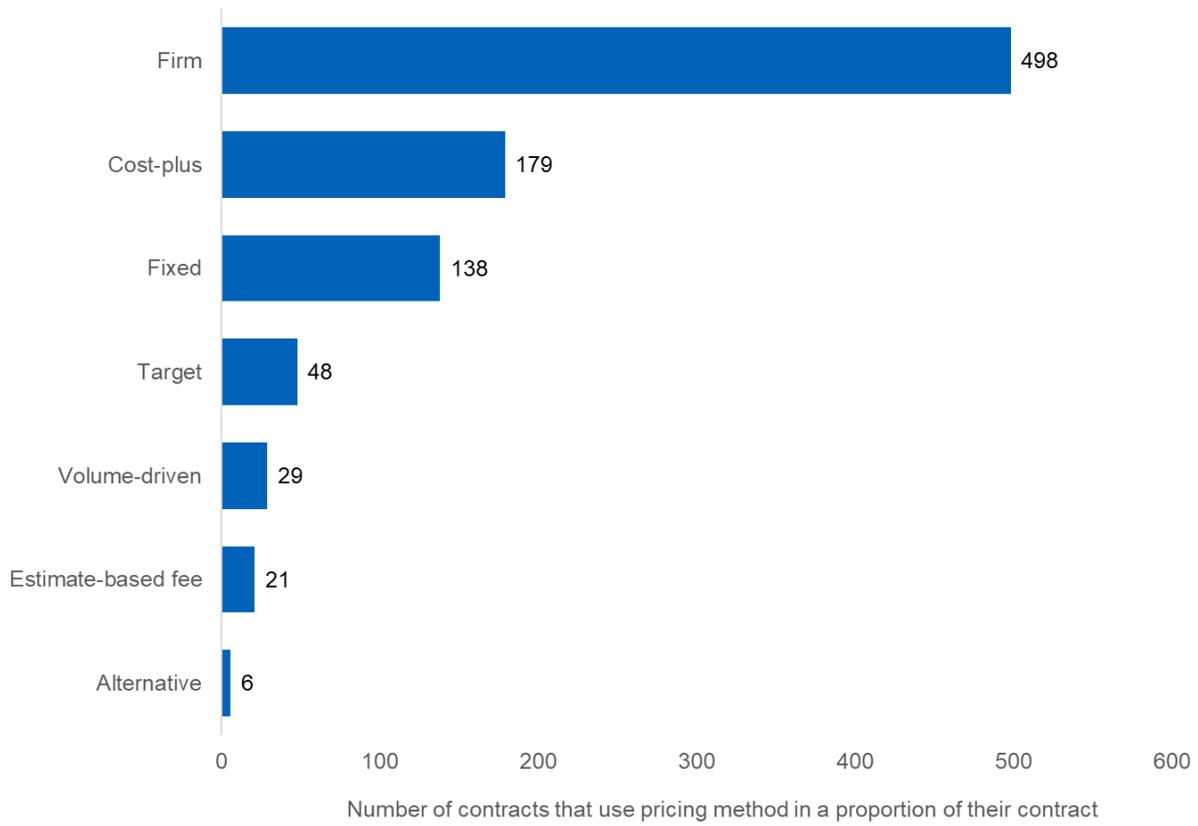


Figure 12 presents the number of QDCs/QSCs that used each of the six pricing methods in a proportion of the contract. The single most reported pricing method across all QDCs/QSCs was firm pricing, with 498 out of 698 QDCs/QSCs (71 per cent) using this pricing method within the contract (sometimes in combination with other pricing methods). Firm pricing has been the most utilised method each year since 2015/16. Just six QDCs/QSCs have utilised the new alternative pricing methods to date. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC, and for further detail on the top 10 combinations of pricing methods used (Figure 12a in the databook).

Figure 12: Number of QDCs/QSCs that use each pricing method in a proportion of the contract, for all QDCs/QSCs



Profit

Estimated contract profit rates, including the adjustments made to the baseline profit rate.

Summary

- For contracts that became QDCs/QSCs in 2024/25, the average (mean) contract profit rate at the latest time of agreement was 9.78 per cent, a decrease of 0.07 percentage points compared to an average of 9.85 per cent in 2023/24 QDCs/QSCs.
- Aside from the baseline profit rate, the adjustment with the most impact on the contract profit rate was the capital servicing adjustment in all financial years. The average (mean) capital servicing adjustment was 1.53 per cent in 2024/25 QDCs/QSCs.
- Of the 674 QDCs/QSCs across all financial years that submitted profit rate step information, 131 (19 per cent) had reported an incentive adjustment.

The Defence Reform Act 2014 and the Single Source Contract Regulations 2014 together prescribed a six-step process to determine the contract profit rate for a QDC/QSC. From 1 April 2024, the Regulations were amended to remove both the Profit On Cost Once (POCO) adjustment and the SSRO Funding Adjustment for all contracts that became QDCs/QSCs from 1 April 2024. These two steps are still shown in the majority of analysis for comparability to historic data but will show as zero or not applicable for all 2024/25 QDCs/QSCs. Table 8 has removed the statistics showing the use of POCO adjustments in the bulletin, but the historic data is still available in the accompanying databook. For more information on the profit rate and these steps, please refer to the **SSRO's *Guidance on the baseline profit rate and its adjustment***.

Additionally, the amendments to the Regulations in 2024 introduced changes to how profit data is submitted if a contract includes components (a component of a contract means a part of a contract that is to be treated distinctly from other such parts in determining the price payable under a contract). Contractors may need to provide the profit rate step information at a component level, rather than at the overall contract level. The SSRO announced in the previous quarterly bulletin that we would start to incorporate this component level information when reporting the profit rate step statistics in this section, subject to a data quality review. On completion of the review, it was found that there are some concerns about the data quality of the component level profit rate step data, and it has been decided to continue to exclude this component level data from the analysis whilst this is investigated further and resolved.

The data presented in this section is based on estimated profit rates at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment if an on-demand CPS has been received) and does not necessarily represent the profit that will be achieved once the contract is complete. The estimated profit rate data may differ from the profit information reported in the 'Price and pricing methods' section, which can be sourced from more up-to-date reports that contain the overall profit rate, but not the detail of the profit rate steps. The 'Outturn price of completed contracts' section includes information on the actual and forecast profit in completed contracts.

There are eight QDCs/QSCs that either did not provide any profit rate information, provided information with data quality concerns, or used the Government Owned Contractor Rate (GOCR), and so have been excluded from all the analysis in this section. Additionally, a further 25 QDCs/QSCs did not provide any profit rate step information, and so have been excluded from any analysis looking at individual profit rate steps.

Table 6 shows the average (mean) overall contract profit rates for the 699 QDCs/QSCs that were included in the analysis. This table is consistent with the methodology used in the quarterly

statistical series of bulletins. The average contract profit rate for 2024/25 QDCs/QSCs is 9.78 per cent, a decrease from 2023/24 QDCs/QSCs of 9.85 per cent. During the same period the baseline profit rate set by the Secretary of State increased by 0.27 percentage points to 8.56 per cent. Whilst the baseline profit rate is a fixed rate set by the Secretary of State each year, some QDCs/QSCs had reported a different rate to this, sometimes as the result of reporting an average of two or more rates.

Table 6: Average (mean) contract profit rate agreed at the latest time of agreement, by financial year

Financial year in which contract became a QDC/QSC	Average (mean) Contract Profit Rate (%)
2015/16	10.86
2016/17	10.56
2017/18	8.45
2018/19	8.40
2019/20	9.03
2020/21	9.55
2021/22	9.53
2022/23	9.52
2023/24	9.85
2024/25	9.78
Overall	9.51

The following analysis in this section is based on 674 QDCs/QSCs as a further 25 QDCs/QSCs did not provide profit rate step data in the standard fields of their latest submitted report, and so have been excluded from the analysis on the profit steps. Please see the methodology for an explanation of why this might be. Figures 13 and 14 below show the average (mean) adjustments made to the baseline profit rate (BPR) for each profit rate step, for the contracts that became QDCs/QSCs in 2023/24 and 2024/25 respectively. The overall average (mean) contract profit rates differ from those shown in Table 6 due to the excluded contracts described above.

Figure 13: Average (mean) profit rate steps agreed at the latest time of agreement, for 2023/24 QDCs/QSCs³

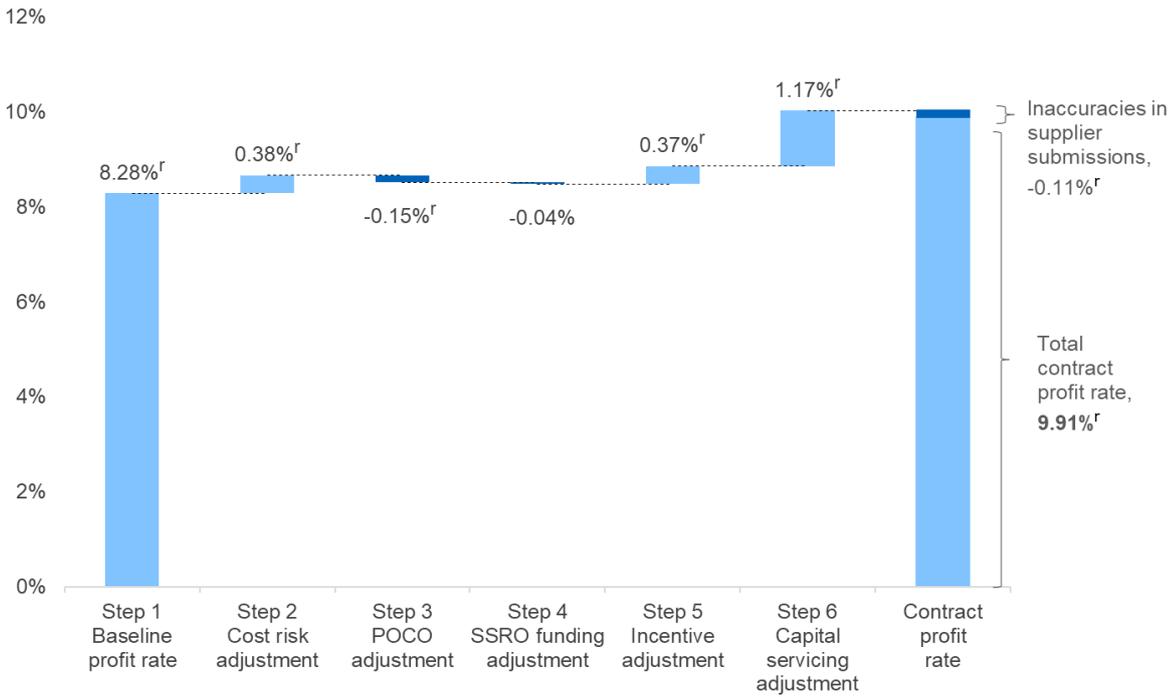
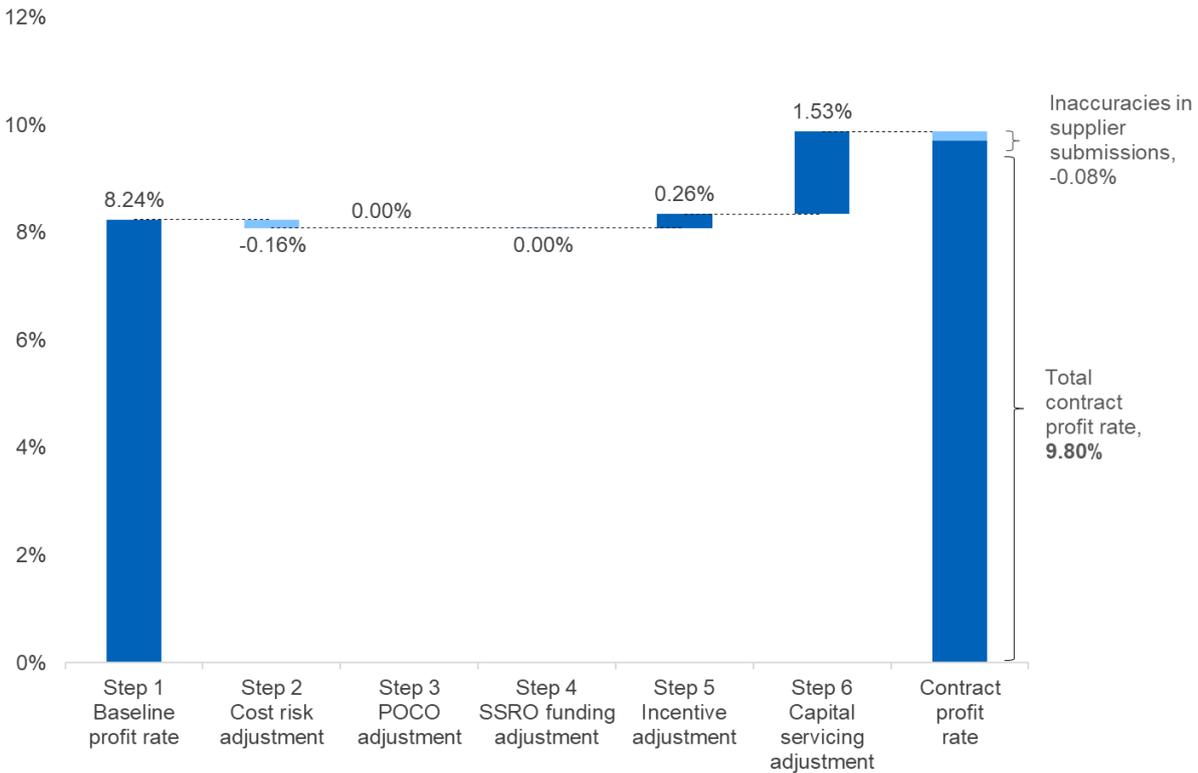


Figure 14: Average (mean) profit rate steps agreed at the latest time of agreement, for 2024/25 QDCs/QSCs³



³ Note: Some QDCs/QSCs had reported a BPR or SSRO funding adjustment that differed from the rate set by the Secretary of State for that year (for example where a profit rate includes sunk costs, before the BPR was set, or where an amendment to a contract uses a BPR from a different year), which explains why these figures do not show the published rates.

For those 674 contracts that supplied profit rate step data, the largest change in the profit rate steps was the average cost risk adjustment, which decreased by 0.54 percentage points (from 0.38 percentage points in 2023/24 to -0.16 percentage points in 2024/25). The average capital servicing adjustment remains as the largest adjustment to the Baseline Profit Rate, at 1.53 percentage points in 2024/25.

The most significant factor in determining a QDC's/QSC's contract profit rate, on average, across all years was the baseline profit rate, comprising on average 84 per cent of the contract profit rate in 2024/25 (see Table 7). The second most impactful adjustment was the capital servicing adjustment, which comprised 16 per cent of the contract profit rate in 2024/25 QDCs/QSCs, a higher proportion to the previous year.

Of all 674 contracts that were included in the analysis, the majority (80 per cent) of QDCs/QSCs have agreed a contract profit rate above the baseline profit rate in place at the date the contract became a QDC/QSC, due to the other steps involved in agreeing a contract profit rate shown below. For the annual figures showing how many contracts have agreed a profit rate above/below the baseline profit rate, refer to the accompanying data book (Table 7a).

Table 7: The contribution of each profit rate step towards the average contract profit rate, by financial year in which the contract became a QDC/QSC⁴

Profit rate step (%)	2020/21	2021/22	2022/23	2023/24	2024/25
Baseline profit rate	85%	86% r	86% r	84% r	84%
Cost-risk adjustment	4%	3%	5%	4% r	-2%
Profit-on-cost-once adjustment	-3%	-2%	-5% r	-1%	N/A
SSRO funding adjustment	-1%	-1%	0%	0%	N/A
Incentive adjustment	4%	4%	3%	4% r	3%
Capital servicing adjustment	11%	10%	12%	12%	16%
Inconsistencies in supplier data	-1%	0%	-1%	-1%	-1%
Contract Profit Rate	100%	100%	100%	100%	100%

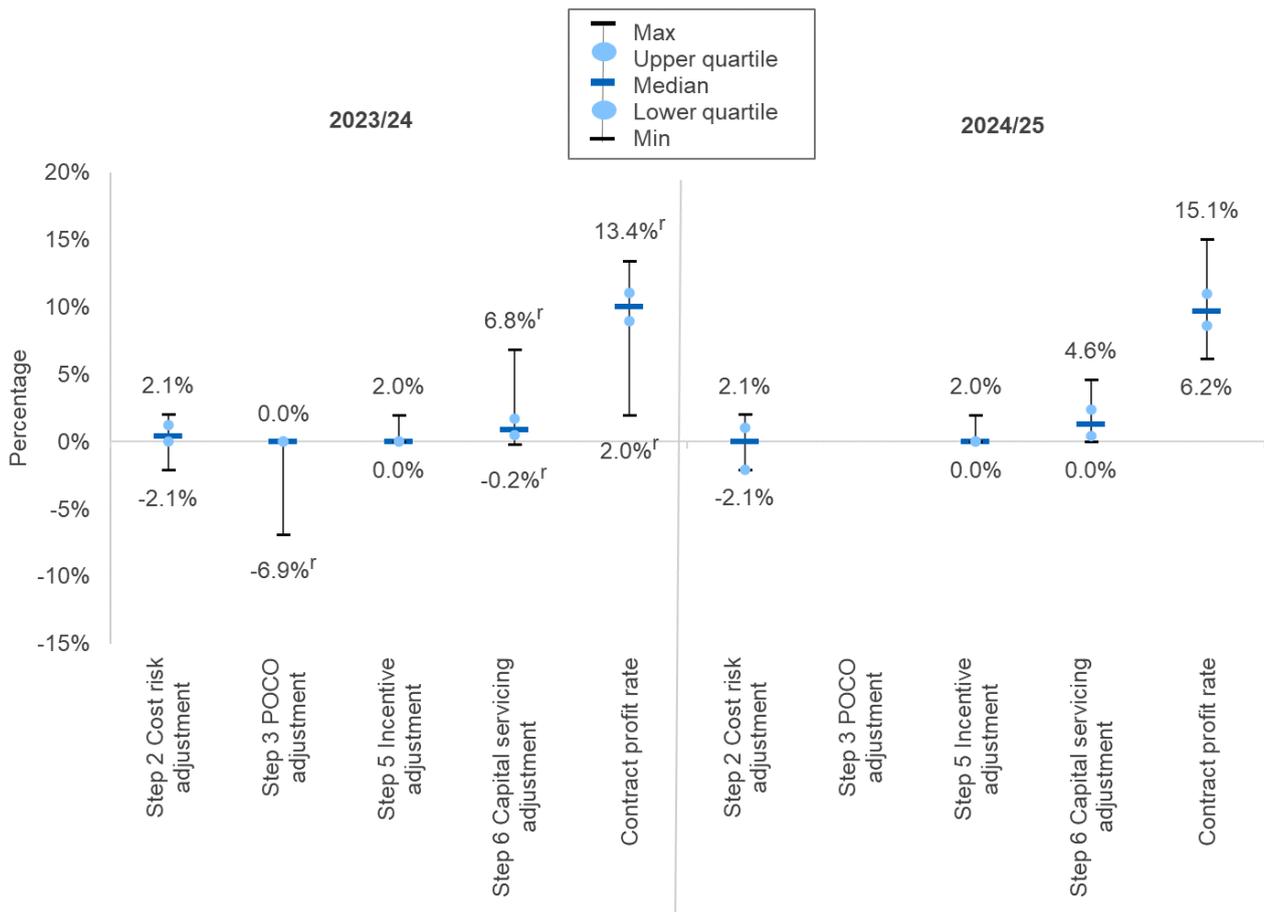
Figure 15 below shows the maximum, minimum, median and interquartile values reported for each of the profit rate adjustments (excluding the baseline profit rate and SSRO funding adjustment, which are fixed values), and the contract profit rate, for 2023/24 and 2024/25 QDCs/QSCs.

Some of the maximum and minimum points may be considered outliers, and so the interquartile range has been included to provide more information on the distribution of data points for each step, specifically the spread of values within the central 50 per cent of the data. The interquartile range of most profit steps has remained relatively consistent for both 2023/24 and 2024/25 QDCs/QSCs, apart from the cost risk adjustment, which has changed from 0 to 1.2 percentage points in 2023/24, to -2.1 to 1.0 percentage points in 2024/25.

The contract profit rate of QDCs/QSCs in 2024/25 ranged from 6.2% to 15.1%. As previously mentioned, in 2024/25 QDCs/QSCs, the POCO adjustment no longer applies. The range of Capital Servicing Adjustments used in 2024/25 is narrower (between zero per cent and 4.6 per cent) when compared to the previous year (-0.2% to 6.8%).

⁴ The 'inconsistencies in supplier data' row relates mostly to data quality issues, where the reported profit rate steps do not sum to the total contract profit rate reported by contractors.

Figure 15: Maximum, minimum, median and interquartile range of profit rate steps reported in individual QDCs/QSCs, for 2023/24 and 2024/25 QDCs/QSCs



Not all contracts receive an adjustment for each of the profit rate steps. Most contracts did not report an incentive adjustment. Table 8 below shows the number of QDCs/QSCs that reported an incentive adjustment. Of the 674 QDCs/QSCs that were included in the analysis across all financial years, 131 (19 per cent) had reported an incentive adjustment.

Table 8: Number of QDCs/QSCs that have reported incentive adjustments, by financial year in which the contract became a QDC/QSC

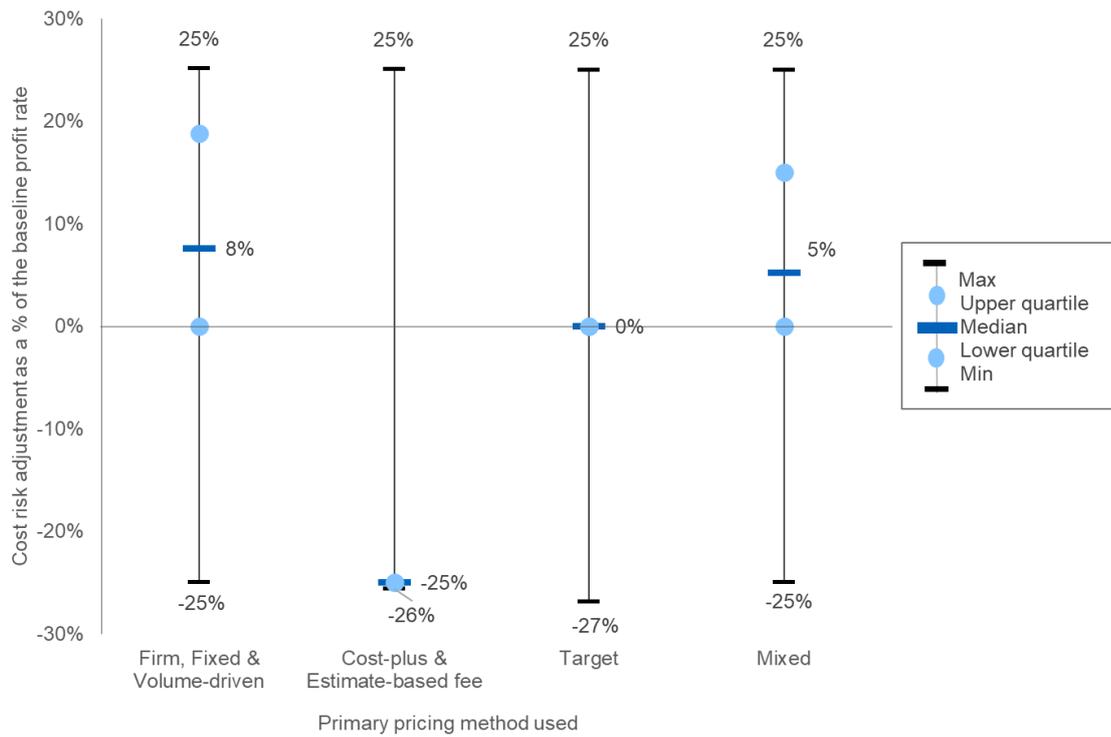
Financial year in which contract became a QDC/QSC	Total number of QDCs/QSCs	Number of QDCs/QSCs with a non-zero incentive adjustment	
		Number	%
2015/16	32	3	9
2016/17	62	14	23
2017/18	50	8	16
2018/19	59	13 r	22 r
2019/20	87	17	20
2020/21	67	16	24
2021/22	91 r	19 r	21 r
2022/23	85	15	18
2023/24	70 r	14 r	20 r
2024/25	72	12	17
Overall	674	131	19

As mentioned, the data presented in this section is based on estimated profit rates at the time of agreement and does not necessarily represent the profit that will be achieved once the contract is complete. The actual profit rate achieved will depend on the performance of the contract, the pricing methods used, and any final price adjustments agreed.

The use of different pricing methods is one of the factors which can expose the contracting parties to varying amounts of risk that the actual costs of a contract differ from the estimated costs. The purpose of the cost risk adjustment is to incorporate into the contract profit rate an addition or deduction to reflect the risk that the contractor's actual Allowable Costs in delivering the requirements will differ from the estimated Allowable Costs included in the contract price. This adjustment can be between +/- 25 per cent of the baseline profit rate. Further information on this adjustment can be found in the **SSRO's Guidance on the baseline profit rate and its adjustment**.

Figure 16 below shows the maximum, median, minimum and interquartile range of cost risk adjustments (as a percentage of the BPR) agreed within contracts using at least one of the pricing methods. Contracts can employ multiple pricing methods, and so QDCs/QSCs have been allocated to a 'primary' pricing method if more than 75 per cent of the contract price is reported against that pricing method. Where there is no one pricing method with more than 75 per cent of the contract price, this is classified as 'mixed'. Some pricing methods have been grouped due to the similar ways in which profit risk sharing is treated in these. In addition to the 33 contracts that have not provided sufficient profit rate data, an additional nine contracts have not reported pricing method data. Contracts belonging to the 'Alternative pricing' group (where more than 75 per cent of the contract price is alternative pricing) have also been excluded from the statistic due to the low number of contracts with this pricing arrangement, which could risk data confidentiality. Therefore, the analysis below is based on 664 contracts.

Figure 16: Maximum, median, minimum and interquartile range of estimated Cost Risk Adjustment as a percentage of Baseline Profit Rate, by primary pricing method, for all QDCs/QSCs



The **SSRO's Guidance on the baseline profit rate and its adjustment** states that for cost-plus and estimate-based fee contracts the cost risk adjustment should be set at minus 25 per cent of the baseline profit rate, which is why the median and interquartile range for these pricing methods appears much lower compared to other pricing methods. For the other pricing methods, there is more variation in the cost risk adjustment applied across contracts, with the full range of +/-25 per cent of the baseline profit rate being used. The median for firm, fixed and volume-driven contracts is higher than for other pricing methods at +8 per cent of the baseline profit rate (though mixed has a similar median and interquartile range, which will include a large proportion of firm, fixed and volume-driven contracts), and a wider interquartile range is seen here too; the central 50 per cent of these contracts had cost risk adjustment values as a percentage of the BPR between zero per cent to +19 per cent. The interquartile range for target pricing contracts is zero. Some contracts have reported cost risk adjustments that fall outside of the +/- 25 per cent threshold, and the statistics use this data as reported by contractors.

Sub-contracts

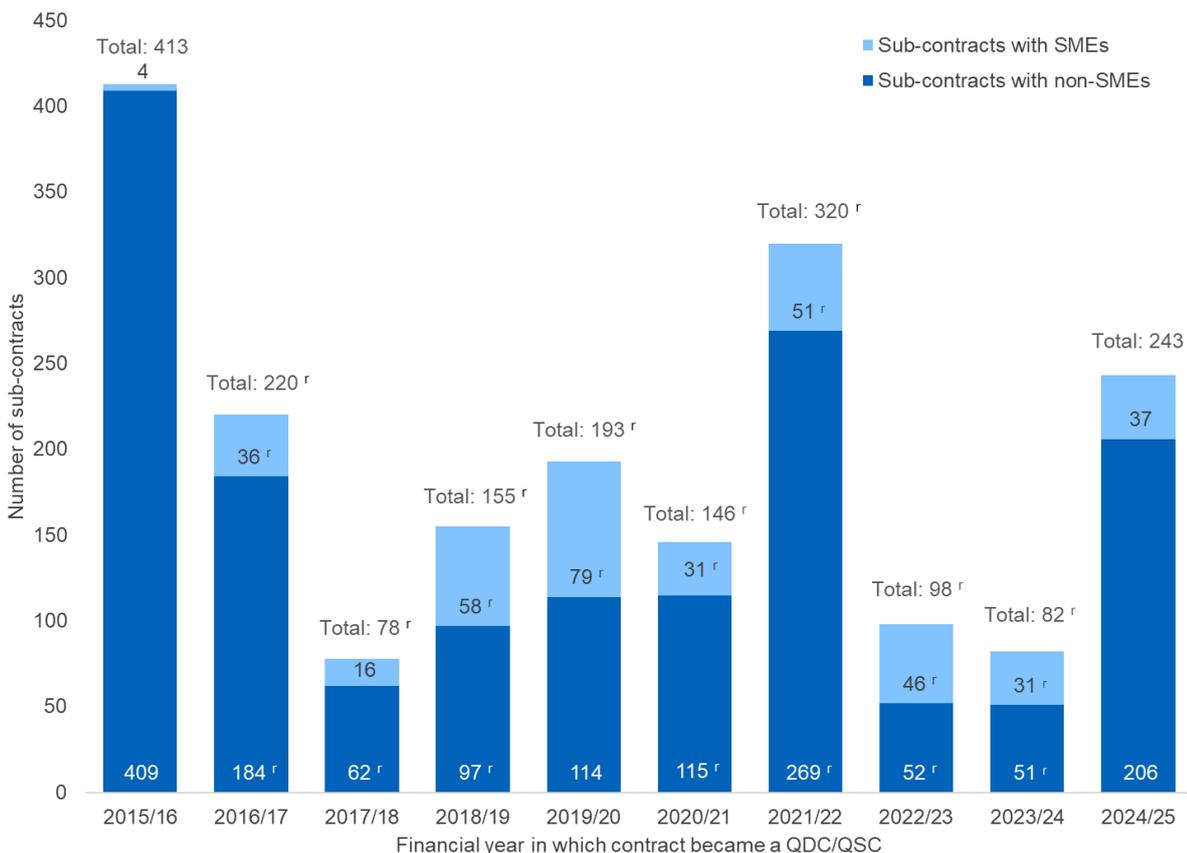
Number and estimated price of the sub-contracts that assist in the delivery of QDCs/QSCs.

Summary

- The number of reported sub-contracts (with a value of £1 million or more) associated with QDCs/QSCs has increased in 2024/25 QDCs/QSCs to 243, compared to 82 in 2023/24 QDCs/QSCs.
- Accordingly, the total estimated price of reported sub-contracts was also higher for 2024/25 QDCs/QSCs than for 2023/24 QDCs/QSCs, at £2.7 billion compared to £1.1 billion.
- The proportion of all self-reported sub-contracts with SMEs fell this year (15 per cent in 2024/2025 QDCs/QSCs, compared to 38 per cent in 2023/24 QDCs/QSCs).
- Across all years, the average price of a sub-contract with an SME was £6.8 million, compared to an average of £9.7 million for sub-contracts with non-SMEs. The average price of a sub-contract decreased in 2024/25 at £5.9 million, compared to 11.8 million in 2023/24.

The data presented in this section includes the latest estimated total price of sub-contracting within QDCs/QSCs (Figure 18) and analysis of the estimated or actual price reported about individual subcontracts with a value of £1 million or more (contractors do not need to submit data on individual subcontracts below this threshold, see Figures 17, 19 and 20). QSCs are included in this analysis as they are sub-contracts to QDCs. All data is sourced from the latest report containing information on subcontracts for the whole contract, and the statistics do not necessarily represent the sub-contract prices once the contract is complete.

Figure 17: Number of reported sub-contracts with a value of £1 million or more, by financial year in which contract became a QDC/QSC, and SME status



Note: The SME status of a contractor or sub-contractor uses data as submitted by the contractors themselves; no verification on whether these align to the definition of an SME as required by the Single Source Contract Regulations 2014 has taken place for the purposes of this analysis.

Figure 17 shows there were 1,948 sub-contracts with a value of £1 million or more reported to the SSRO since 1 April 2015; 243 of these were with 2024/25 QDCs/QSCs. Given only contracts with a value of £1 million or more are reported, this data will not represent the entirety of sub-contracts involved in the delivery of QDCs/QSCs.

For all QDCs/QSCs since 1 April 2015, 20 per cent of sub-contracts are with companies self-identifying as SMEs. For 2024/25 QDCs/QSCs, this was 15 per cent, the second lowest proportion of SME sub-contracts of any financial year to date. The SSRO are planning to conduct a review into the quality of this self-reported data during 2025/26.

Figure 18 below shows the latest total estimated price of sub-contracts to QDCs/QSCs, by financial year. The total estimated price of sub-contracts in 2024/25 was higher than that seen in 2023/24 (£2.7 billion in 2024/25 compared to £1.1 billion in 2023/24), and the second highest of any single financial year to date.

Figure 18: Total estimated price of sub-contracts, by financial year in which contract became a QDC/QSC

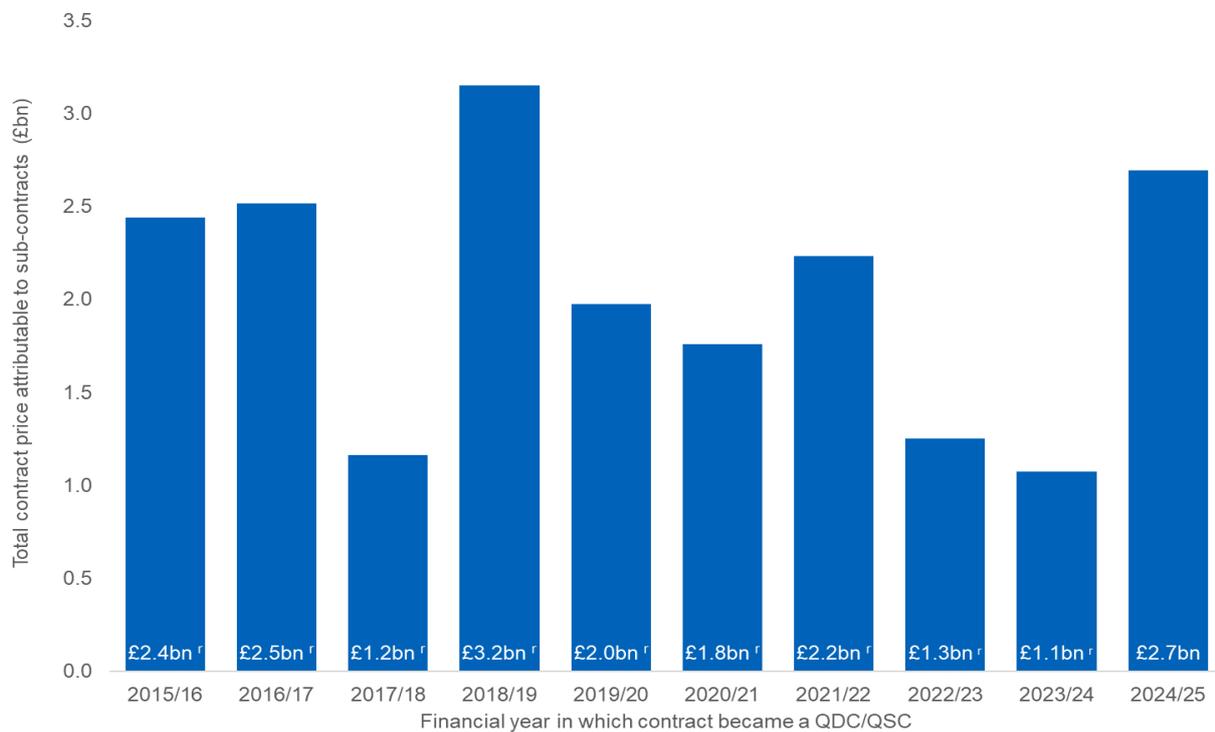


Figure 19 and Figure 20 show the number and price of reported sub-contracts with a value of £1 million or more split by price bands, for all financial years. The majority of reported sub-contracts were of lower value (67 per cent of sub-contracts were £5 million or under), but a small number of large value sub-contracts comprised most of the total reported sub-contract price. Sub-contracts priced at £25 million or greater represented six per cent of the number of reported sub-contracts, but 53 per cent of the total sub-contract price. The mean reported sub-contract price in 2024/25 contracts was £5.9 million, a decrease from 2023/24 where the average was £11.8 million. For sub-contracts with SMEs in 2024/25, the average was £4.7 million, compared to £6.1 million for sub-contracts with non-SMEs.

Please note that some of the individual sub-contracts reported may contribute to more than one contract, so the sub-contract prices reported in Figures 19 and 20 are not necessarily fully attributable to the QDC/QSC it has been reported against. Some of the sub-contract prices used in these figures may therefore overestimate the amount of sub-contracting occurring within the QDC/QSC it has been reported against.

Figure 19: Number of reported sub-contracts with a value of £1 million or more, by price band, for all QDCs/QSCs

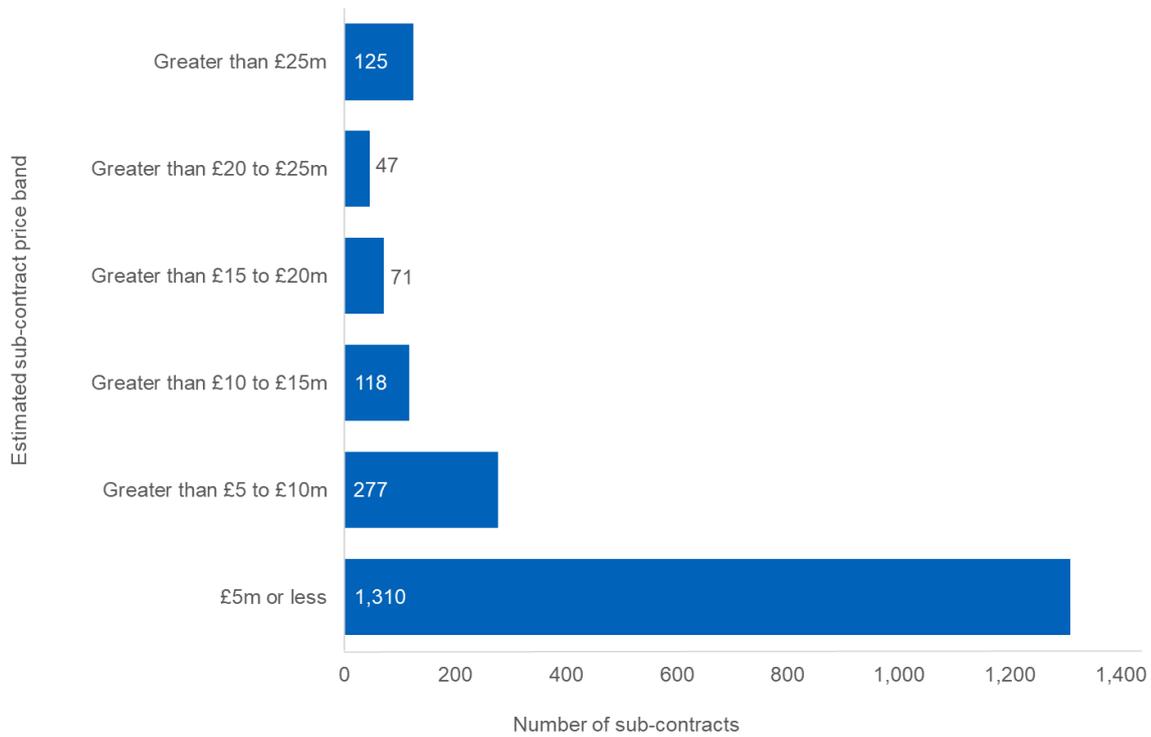
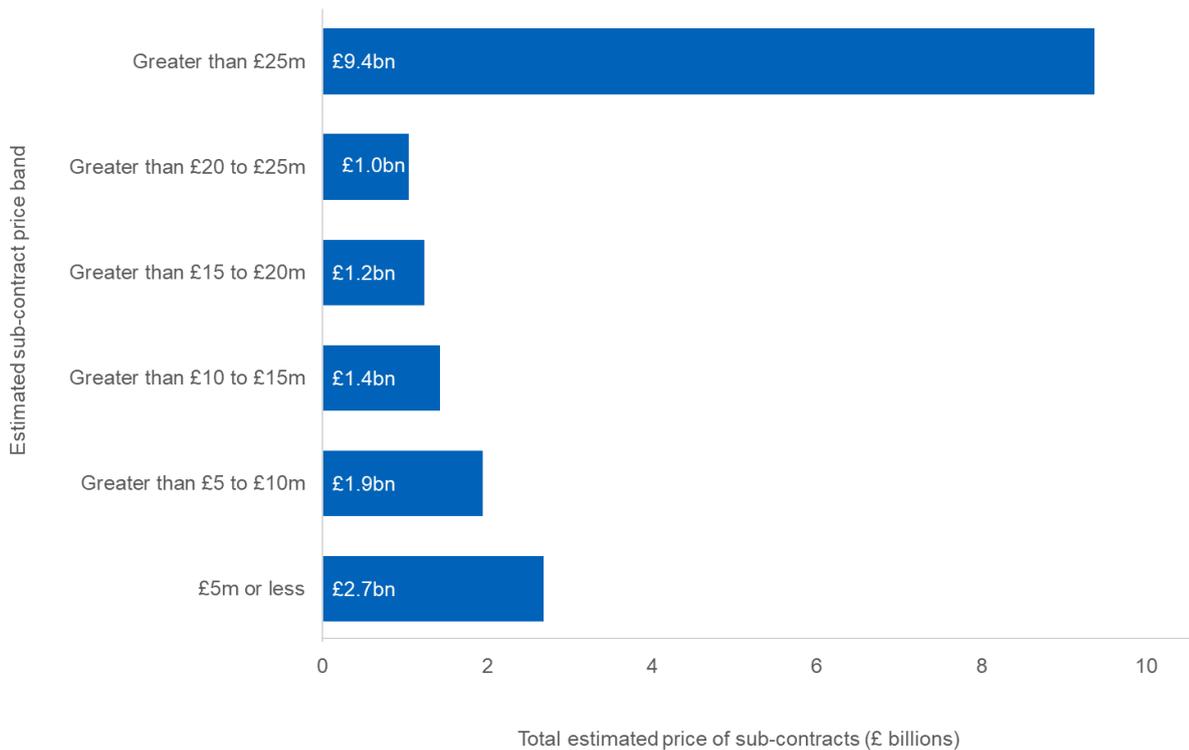


Figure 20: Total estimated price of reported sub-contracts with a value of £1 million or more, by price band, for all QDCs/QSCs



Outturn price of completed contracts

Actual and forecast costs, profit, price and profit rates, for contracts that have submitted contract completion reports.

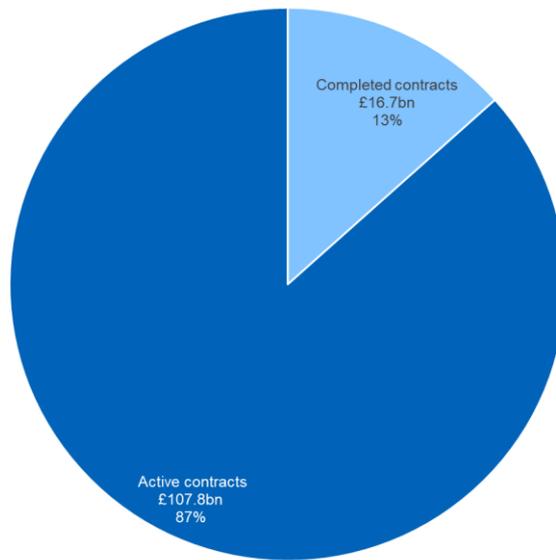
Summary

- As of 30 April 2025, 200 of the 707 QDCs/QSCs have submitted contract completion reports, indicating they have completed.
- Of these, sufficient information has been submitted for 192 QDCs/QSCs, and these had an estimated total contract price (at the latest time of agreement) of £16.7 billion, representing 13 per cent of the total estimated contract price for all QDCs/QSCs. The statistics in this section analyse the 200 contracts, which may not be representative of the outturn at completion of all 707 contracts.
- These contracts reported an actual and forecast price at contract completion of £15.6 billion; a reduction of £1.0 billion compared to the estimated contract price at the latest time of agreement. This consisted of a reduction in Allowable Costs of £1.0 billion, and an increase in profit of £9 million.
- The largest proportion of completed QDCs/QSCs (84 contracts) reported a reduction in the actual and forecast price of the contract compared to the estimates at the latest time of agreement, whilst 72 QDCs/QSCs reported no change, and 36 reported an increase in contract price. Eight contracts did not provide sufficient data to calculate the price variance.

For the purpose of these statistics, a completed contract is defined as a contract with a submitted Contract Completion Report (CCR). This is due six months after the contract completion date, so these statistics may not contain contracts that have completed within six months of the data extract date (30 April 2025). If the SSRO has not received a CCR report, then the contract is defined as 'active' within these statistics.

This section reports on the contractors' assessment of the outturn price of contracts payable by the contracting authority, at the date the CCR is submitted. A contractor can still report some forecast costs (up to 5 per cent of the price without an explanation, or more if an explanation is given) when submitting a CCR, so the actual and forecast price may not reflect the final outturn price. It also does not reflect any final price adjustments or target cost incentive fee (TCIF) adjustments. For the purpose of this analysis, variances have been calculated between the estimated price at the latest time of agreement (either the date the contract became a QDC/QSC, or if there has been an amendment, the date of the latest amendment) and the actual and forecast price at the contract completion date. The variances therefore do not reflect changes due to previous amendments during the life of the contract, and therefore these statistics must not be interpreted as an indicator of the overall change in cost price or profit of single source defence contracts over their life.

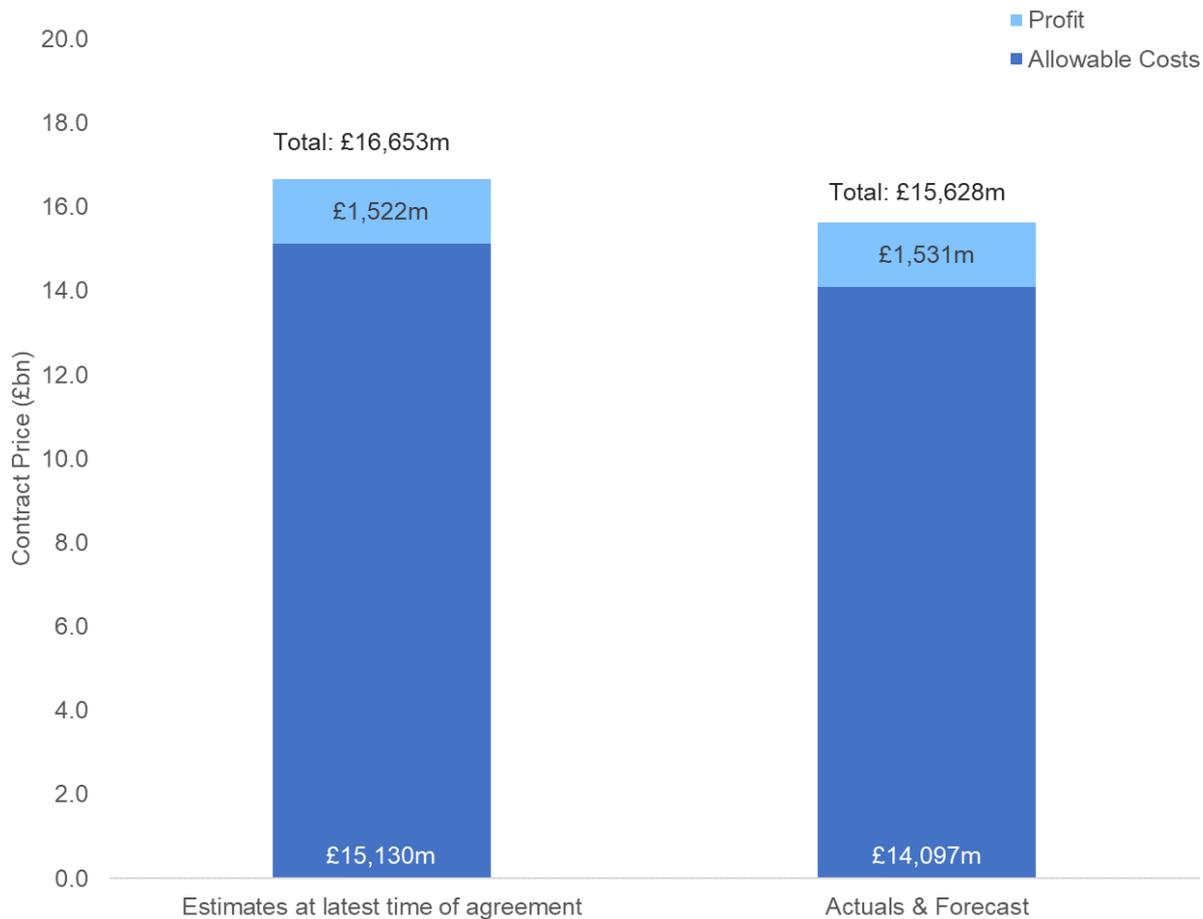
Please refer to the Methodology section for further details on how completed contracts are defined.

Figure 21: Total estimated contract price of all QDCs/QSCs, by active and completed status

The SSRO has received CCRs for 200 QDCs/QSCs as of 30 April 2025. Eight contracts have not provided sufficient information to report on variances in the total contract price, and so Figure 21 above shows a total estimated contract price at the latest time of agreement of £16.7 billion for the 192 contracts that have provided sufficient data, representing 13 per cent of the total estimated contract price for all QDCs/QSCs.

When looking at the total contract price variance in Figure 22, these 192 contracts have reported an actual and forecast contract price of £15.6 billion at contract completion; a reduction from the estimated price at the latest time of agreement of £1.0 billion (6 per cent). This is comprised of an overall reduction in Allowable Costs of £1.03 billion, but an increase in profit of £9 million (see Figure 22).

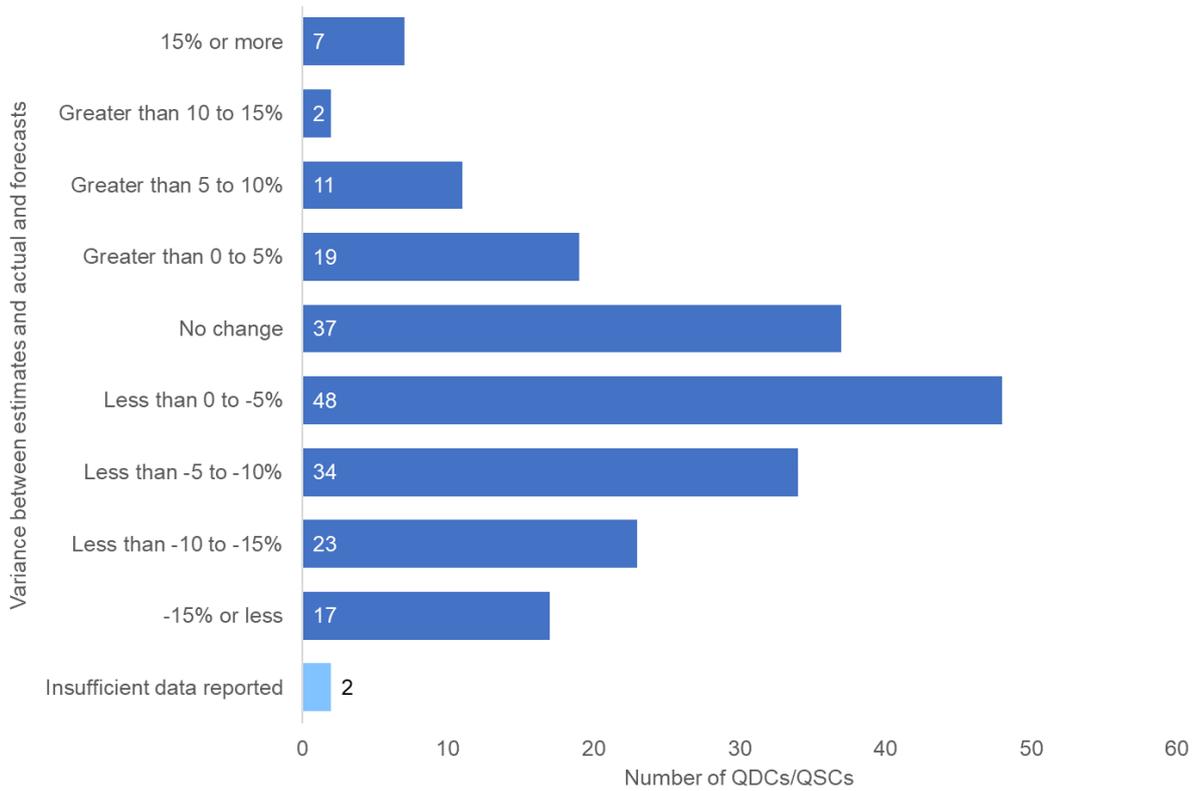
Figure 22: Overall estimated cost and profit at the latest time of agreement and actual and forecast cost and profit at contract completion in 192 completed contracts



Figures 23 to 26 show the number of contracts reporting a variance between the estimates at the latest time of agreement and the actuals and forecasts at contract completion, in their Allowable Costs, profit, profit rate and overall contract price, by variance band. The use of different pricing methods will have an impact on how the variation in costs affect the profits and prices of these contracts. The variance data is as reported by contractors. The underlying cost and profit data has been rounded to three decimal places (in line with the SSRO’s Reporting Guidance on providing this data) before calculating the percentage variance. Two contracts did not provide enough information to calculate Allowable Cost variances, and eight contracts did not provide sufficient information to calculate profit variances, so these have been excluded from the respective analysis on Allowable Costs, profit and profit rates (Figures 23 to 25). In total, eight contracts have been excluded from the total contract price variance analysis (Figure 26).

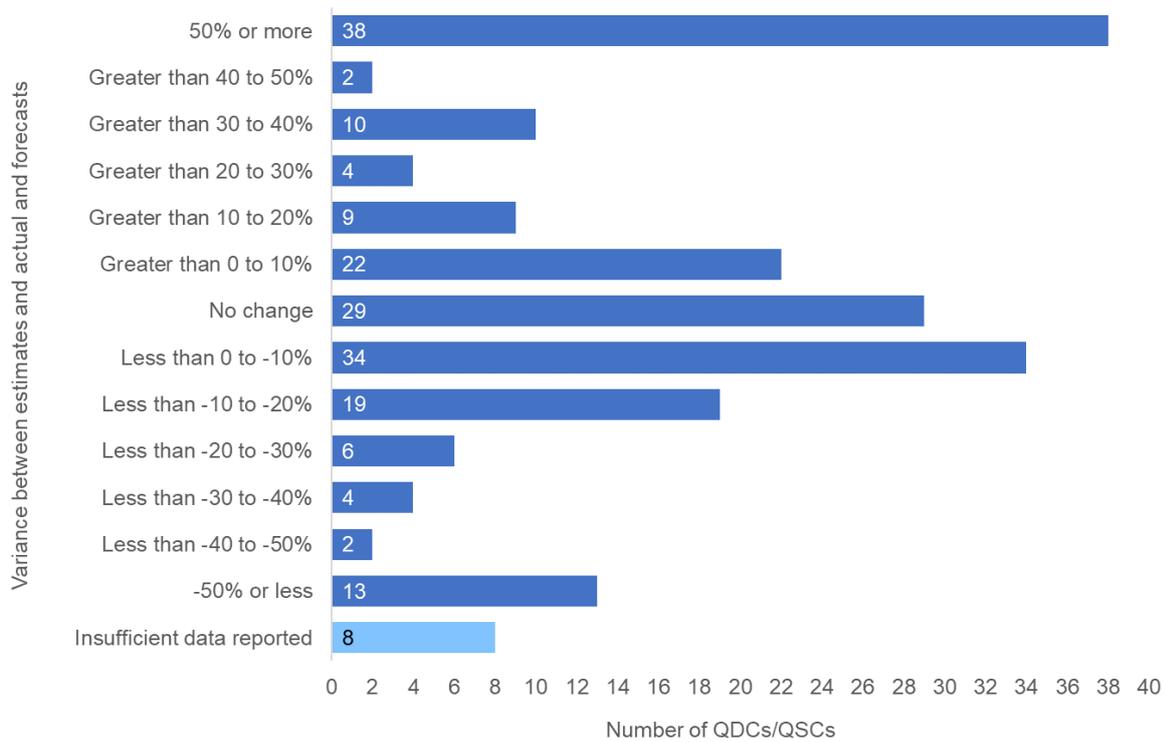
The majority (122 contracts, 62 per cent) of the 198 completed QDCs/QSCs that provided Allowable Cost data reported a reduction in Allowable Costs since the latest time of agreement, with 39 (20 per cent) reporting an increase in Allowable Costs (see Figure 23). Over half of completed contracts (53 per cent or 104 QDCs/QSCs) reported a variance in Allowable Costs since the latest time of agreement of between -5 per cent to +5 per cent.

Figure 23: Variance in Allowable Costs; number of completed QDCs/QSCs (200 contracts) by percentage of variance between the estimated Allowable Costs at the latest time of agreement and actual and forecast Allowable Costs at contract completion



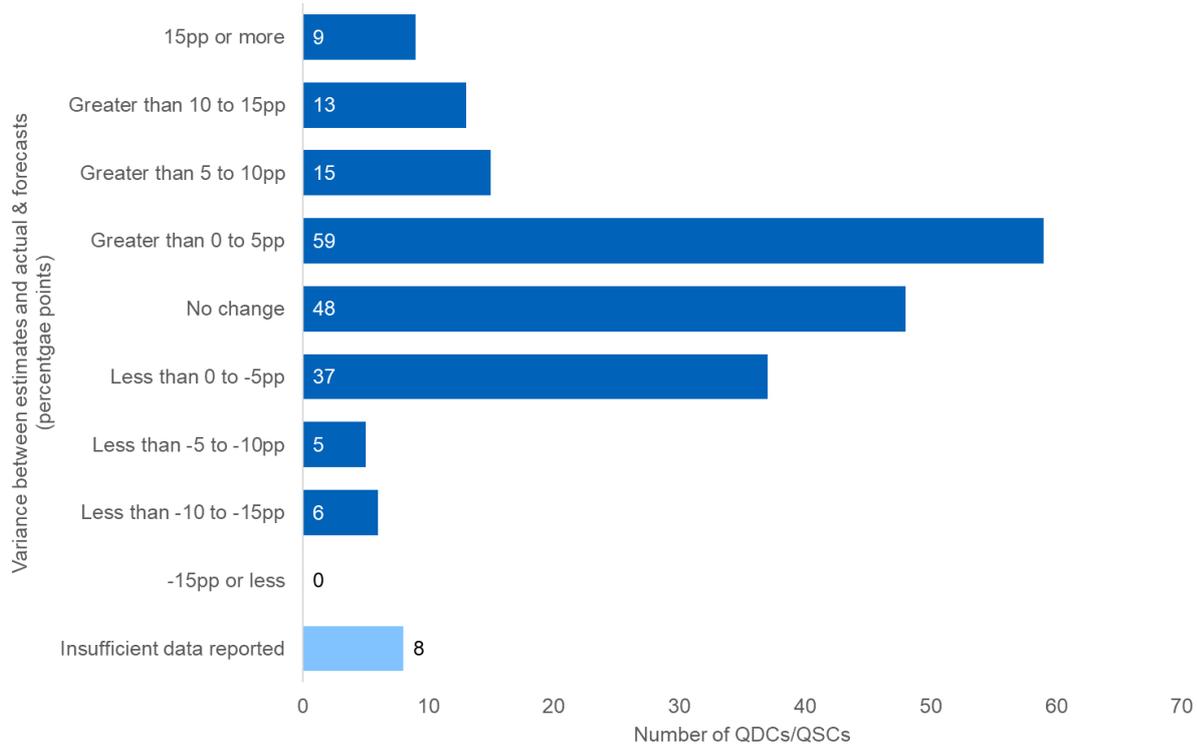
Since profits are a smaller component of the contract price than Allowable Costs, small changes in the amount of Allowable Costs can result in larger percentage variances in profit, as can be seen in Figure 24. There were 78 completed contracts (41 per cent of the 192 QDCs/QSCs that provided profit data) that reported a reduction in profit since the latest time of agreement, and 85 (44 per cent) reporting an increase in profit. There were 38 QDCs/QSCs (20 per cent) that reported an increase in profit of more than 50 per cent, and 13 QDCs/QSCs (7 per cent) reported a decrease in the amount of profit of more than 50 per cent. Eight contracts did not report sufficient information for percentage variances to be calculated.

Figure 24: Variance in amount of profit; number of completed QDCs/QSCs (200 contracts) by percentage of variance between the estimated profit at the latest time of agreement and actual and forecast profit amount (£m) at contract completion



Whilst Figure 24 looks at the variance in the amount of profit, Figure 25 analyses the variance in the profit rate percentages of the completed contracts. Eight contracts did not report sufficient information for percentage variances to be calculated. The majority of contracts (75 per cent of the 192 QDCs/QSCs that reported profit rate data) reported a variance in profit rates of between -5 and +5 percentage points. Nine contracts (5 per cent) reported an increase in their actual and forecast profit rates of more than 15 percentage points.

Figure 25: Variance in profit rates; number of completed QDCs/QSCs (200 contracts) by percentage points of variance between the estimated profit rate at the latest time of agreement and actual and forecast profit rate at contract completion



When looking at the overall contract price, as shown in Figure 26, 84 QDCs/QSCs (44 per cent of the 192 QDCs/QSCs that reported price data) reported a decrease in contract price compared to the latest time of agreement and 36 contracts (19 per cent) reported an increase in contract price since the latest time of agreement. Similar to the variance seen in Allowable Costs, the majority of completed QDCs/QSCs (65 per cent, 125 QDCs/QSCs) reported between -5 per cent and +5 per cent variance in the total contract price, with 72 of these contracts (38 per cent) reporting no change in contract price.

Figure 26: Variance in contract price; number of completed QDCs/QSCs (200 contracts) by percentage of variance between the estimated contract price at the latest time of agreement and actual and forecast contract price at contract completion

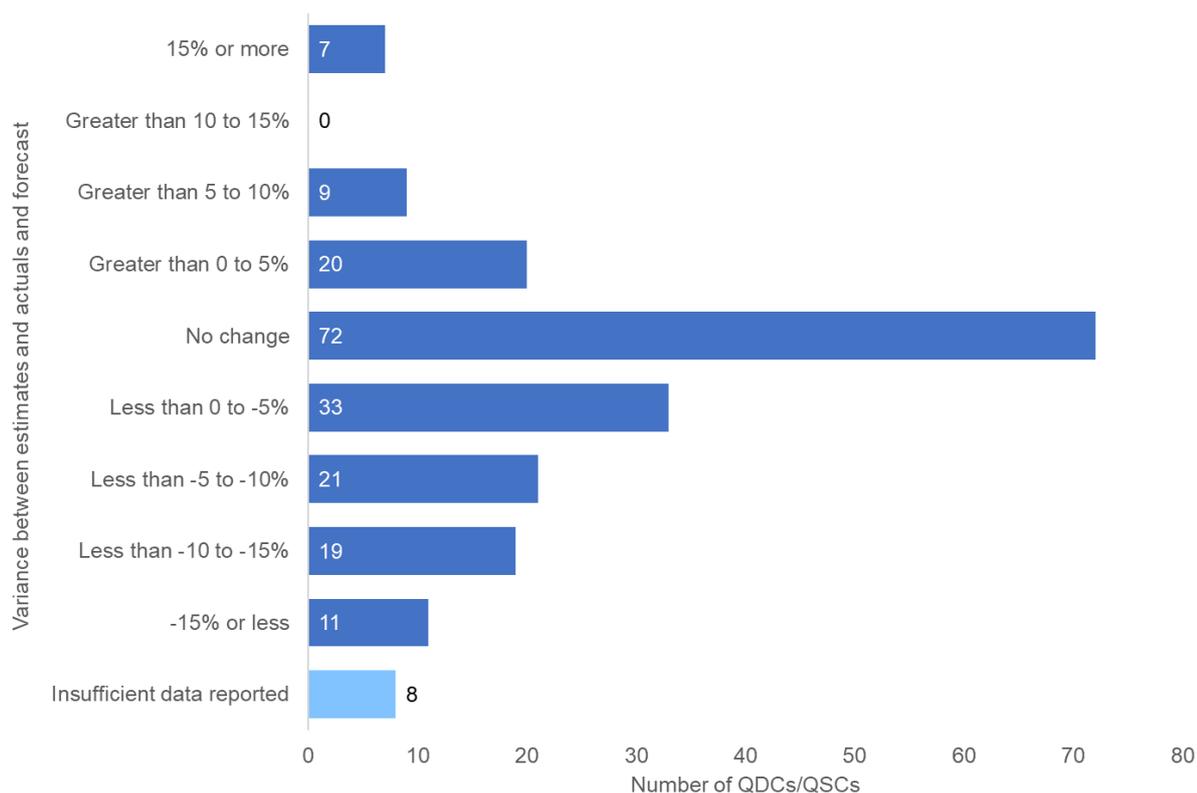


Table 9 shows both the mean and median contract profit rates reported for the 192 QDCs/QSCs that provided sufficient profit rate information, estimated at the latest time of agreement and the actual and forecast profit at contract completion. The mean and median estimated profit rates were 9.66 per cent and 9.44 per cent respectively. When looking at the actual and forecast average profit rates, the mean profit rate increased to 11.67 per cent and the median profit rate increased to 9.51 per cent. These averages are for the 192 contracts that have provided sufficient information, and these may not be representative of the outturn at completion of all 707 contracts. A small number of contracts reported particularly high actual profit rates, resulting in a mean actual & forecast contract profit rate higher than the median.

Table 9: Average contract profit rates at the latest time of agreement and actual and forecast at contract completion for 192 completed QDCS/QSCs

Timeframe	Mean contract profit rate (%)	Median contract profit rate (%)
Estimate at latest time of agreement	9.66	9.44
Actual and forecast in contract completion report	11.67	9.51

Notes to the statistics

Data source

The data in this bulletin is sourced from contract reports submitted to the SSRO by contractors and collated in the Defence Contract Analysis and Reporting System (DefCARS). The individual contract reports used in each section of the bulletin are described in the methodology below. For further information about the data used, the [SSRO's reporting guidance](#) for these reports is available on the SSRO's website.

Methodology

The analysis reports on all contracts which became QDCs/QSCs between 1 April 2015 and 31 March 2025, and that have submitted reports on or before 30 April 2025. The majority of data presented relates to active contracts but data for a proportion of completed contracts are also included. Data for both QDCs and QSCs are included in these statistics and are reported separately where specified. Some QDCs/QSCs are framework contracts, with the individual contracts let under those framework contracts (sometimes referred to as call-off contracts, tasks, or orders) also being QDCs/QSCs, and so have been counted as separate QDCs/QSCs within the statistics.

All time-series data is reported using the date a contract became a QDC/QSC (the initial reporting date⁵), unless otherwise specified. Defence contractors are required to submit their initial contract reports within a month of this date. This statistical bulletin reports on the latest agreed position for each QDC/QSC.

There are a number of changes to the Single Source Contract Regulations that came into effect from 1 April 2024. In the Q3 2024/25 quarterly statistics bulletin, the SSRO announced a number of changes that would be made to the statistics as a result of these updates, subject to a review of data quality. After this review, one of the announced changes has not yet been incorporated into the statistics: the use of component level data for the profit rate steps statistics. This is due to the low numbers of contracts correctly submitting the profit rate data. All other announced changes have been made and have been signposted in their respective statistics.

The methodology for each section in the bulletin is described below.

Number, duration and SME involvement

While the bulletin reports on QDCs/QSCs which have submitted contract reports, the total number of QDCs/QSCs notified to the SSRO is measured by the amount of QDCs/QSCs (that are not currently marked as a potential QDC/QSC) added to DefCARS, regardless of whether reports have been submitted or not for that contract.

In this analysis a completed contract is defined as a contract with a submitted Contract Completion Report (CCR). This is required six months after the contract completion date and is the first point at which a statutory report submission confirms that a contract has completed. The submission of this report is considered as a more robust method of establishing when a contract completes compared to using the estimated contract completion dates submitted in each report, which may change during the life of the contract. However, there may be a lag of up to six months (or more if the report submission is late) before a contract is classified as complete, and the latest financial year presented in the statistics may not reflect all contracts that have actually completed in that period. Whilst the receipt of the CCR (six months after contract completion) is used as the indicator for when a contract has completed, the financial year in which the contract completed is sourced from the contract completion date in the CCR. Contracts that have not submitted a CCR are defined as

⁵ Either the date the contract was entered into, or if it is a contract brought into the regime following an amendment, the date of the amendment.

'active'. This may include some contracts which have completed but have not yet submitted a CCR.

When a contract is completed, it is likely that no further contract update reports will be received and the contract data submitted through statutory reports will remain relatively unchanged, unless corrections to these reports are provided. Contract Cost Statements are submitted after the CCR and may update some of the reported data, but these are unstructured reports and so are not used in the analysis. Some contracts had erroneously submitted CCRs and so are still counted as active contracts in this analysis, where we are made aware of the error.

Contract duration figures reflect the latest reported expected or actual duration reported at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment). The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected, or actual where available, contract completion date. Average contract duration is an arithmetic mean of all QDCs/QSCs within that financial year. Contract duration data is sourced from the latest of the Contract Pricing Statement, Contract Notification Report, On-demand Contract Reporting Plan, Quarterly Contract Report, Interim Contract Report or Contract Completion Report.

The SME status of a contractor or sub-contractor uses data as submitted by the contractors themselves; the SSRO has not assessed the data submitted to determine whether the contractor or sub-contractor was correct to conclude it falls within the definition of SME as set out in regulation 2 of the Single Source Contract Regulations 2014. The SSRO are planning to conduct a review into the quality of this self-reported data and may make changes to the presentation of this data if required in future bulletins. Data on the SME status is sourced from the latest of the Contract Pricing Statement, Contract Notification Report, On-demand Contract Reporting Plan, Quarterly Contract Report, Interim Contract Report or Contract Completion Report.

The number of unique contracting companies is reported using the registered company details provided by contractors in their latest available report. These contracting companies are then grouped into their respective parent company using either data matched from the MOD's Contracting, Purchasing & Finance (CP&F) system, or where unavailable using the Global Ultimate Owner (GUO) from Bureau Van Dijk's Orbis database. The GUO considers whether a company controls a majority (greater than 50.01 per cent) of the voting rights of the company in question. Where a company has no single entity with a controlling majority, the company itself is considered the GUO of the corporate group.

The number of contracting companies or GUOs may be revised from previous bulletins due to new contracts (and hence contractors) being included in the analysis where reports are submitted late, or due to changes in ownership in contracting companies/GUOs.

Price and pricing methods

The contract price and pricing method statistics reflect the estimated price, at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment). The total contract price may sometimes include costs incurred before an amended contract becomes a QDC/QSC ('sunk costs'). Pricing data is sourced from the latest submitted Contract Pricing Statement, Contract Notification Report, Quarterly Contract Report, Interim Contract Report or Contract Completion Report.

The total price of all contracts in these statistics includes the price of all QDCs and QSCs, meaning that QSC prices are counted both within the 'parent' QDC price and separately, representing the total price of all contracts subject to the Single Source Contract Regulations (see Figure 27 for an overview of how QSCs are treated in this analysis). This is similar for framework contracts that are QDCs/QSCs, where the price of each QDC/QSC contract let under the framework is included in addition to the overall framework QDC/QSC.

Amendments to the Regulations took effect on 1 April 2024, introducing new alternative pricing methods that may in particular circumstances be used to price QDCs/QSCs. Due to the low number of contracts currently reporting information under these alternative pricing methods, the data has been grouped into a single “Alternative Pricing” group, including those reported under Regulation 19G ‘Aggregation of Components’. In addition, some of these pricing methods allow contract price to be reported where costs and profits are not determined and identified separately for the purposes of pricing the contract. Components or contracts which cannot separate costs and profit are not currently included in the majority of statistics on contract price (other than in Table 3), due to low numbers of contracts reporting. These currently have a combined estimated price of £164m compared to the total estimated contract price of all QDCs/QSCs of £124.6 billion. These are included in the statistics on pricing methods however, and so the contract price here does not necessarily align with the contract price reported elsewhere.

The table showing the proportion of total estimated price of QDCs/QSCs by regulated pricing method in the databook has been removed this year to preserve data confidentiality. During the next year we will review whether statistics on the contract price associated with pricing methods could be included in future bulletins.

Profit

The contract profit rate data in this section is sourced from the latest available Contract Pricing Statement. The majority of contract profit rate statistics reflect the agreed position at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment if an on-demand CPS has been received) and does not necessarily represent the profit that will be achieved once the contract is complete. This may differ from the profit information reported in the ‘Price and pricing methods’ section, which can be sourced from more up-to-date reports.

The mean contract profit rates are an arithmetic mean of the reported contract profit rates reported by QDCs/QSCs within that financial year. Where one of the profit rate steps does not apply (as is the case with the POCO adjustment for many QDC/QSCs), this is treated as a zero in the calculations for averages.

Contracts that have agreed the government owned contractor rate (GOCR) with the MOD have been excluded from all of the profit rate analysis, as have contracts that did not provide any profit data, or where there were data quality concerns with the data provided. In addition, some contracts have started to report profit rate data at a component level, rather than a contract level. If a contract includes components, profit rate step data may now be submitted at a component level rather than at the overall contract level (a component of a contract means a part of a contract that is to be treated distinctly from other such parts in determining the price payable under a contract). Due to concerns over the current data quality of this data, the component data is not yet included in the statistics.

In January 2022, the SSRO released new reporting guidance for on-demand CPS reports, asking contracts that have had a pricing amendment that changes the profit rate to enter only the overall contract profit rate into the standard DefCARS fields, leaving the six steps blank. These were then provided in an attached excel workbook. Where this has happened, the contract has been excluded from the profit rate step analysis (all analysis in the ‘Profit’ section except Table 5). Amendments to the Single Source Contract Regulations that took effect on 1 April 2024 resulted in the SSRO funding adjustment and POCO adjustment no longer applying to contracts that became QDCs/QSCs on or after 1 April 2024. These are still included in the statistics to enable historic comparisons, but for 2024/25 contracts these show as zero or not applicable.

Upper quartile and lower quartile values were introduced from 2018/19 onwards in the 2019/20 statistics bulletin, and so figures for previous financial years are not reported in the accompanying databook.

Contracts can employ multiple pricing methods, and so QDCs/QSCs in Figure 16 have been allocated to a 'primary' pricing method if more than 75 per cent of the contract price is reported against that pricing method. Where there is no one pricing method with more than 75 per cent of the contract price, this is classified as 'mixed'. Some pricing methods have been grouped due to the similar ways in which profit risk sharing is treated by these methods. Note that this differs from how contracts are allocated to pricing methods in the 'Price and pricing methods' section, where contracts are allocated to a pricing method if any proportion of the contract is attributed to a pricing method.

Sub-contracts

QSCs are included within the sub-contracting numbers and price data in this analysis. It is also possible for a sub-contract to a QSC to also become a QSC, and this would be included in both the total price of all contracts, as well as the sub-contracting figures (see Figure 27).

The sub-contract data is sourced from the latest report containing information on subcontracts for the whole contract (the latest of the Contract Notification Report, Interim Contract Report or Contract Completion Report). From the 2020/21 bulletin onwards, Quarterly Contract Reports (QCRs) are no longer used to source sub-contract data, as these reports only require data on sub-contracts entered into in the reporting period covered by the QCR, or the following quarterly period, and therefore don't represent the total sub-contracting picture within a contract.

Figures 17, 19 and 20 reflect the actual or intended sub-contracts with a value of £1 million or more reported by contractors. The price data in Figures 19 and 20 presents the sum of the latest estimated or actual sub-contract prices for sub-contracts with a value of £1 million or more. Contractors are required to submit the expected price of sub-contracts agreed for pricing purposes, which may not reflect the actual price at the end of the contract.

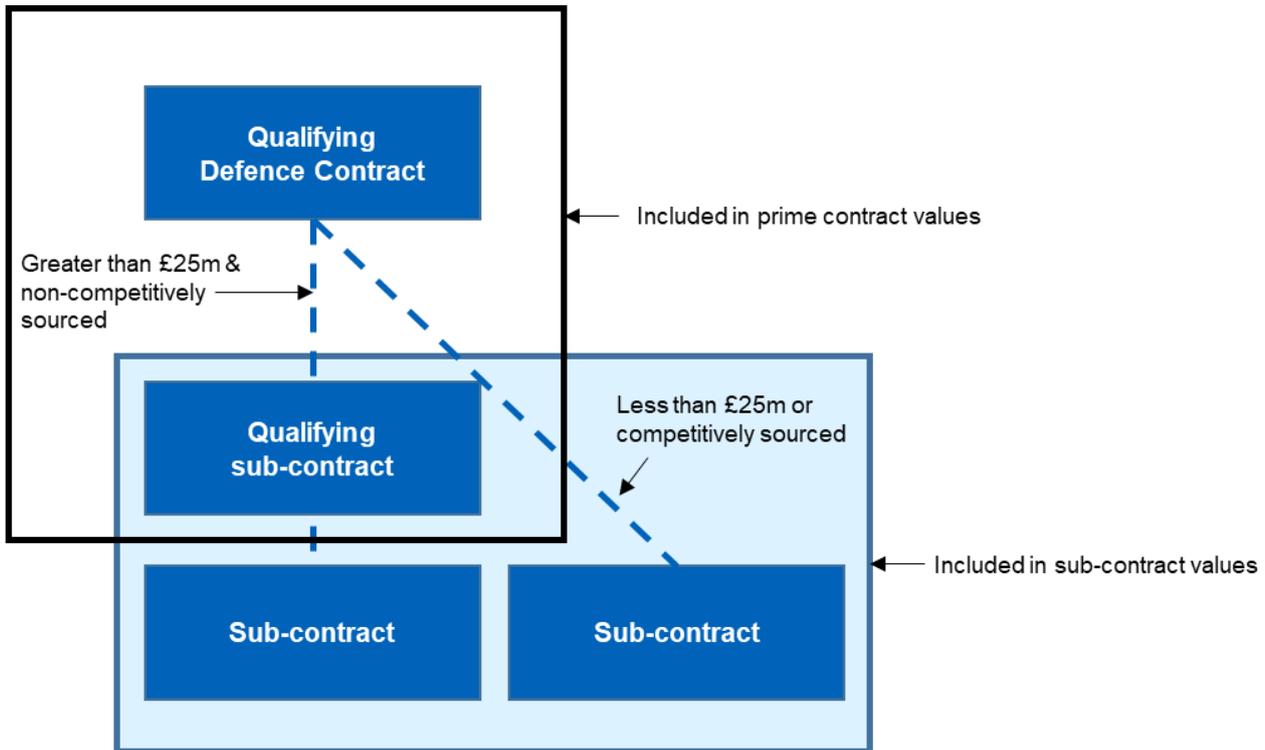
For Figures 17, 19 and 20, the SSRO receives partial data on the details of the supply chain involved in QDCs/QSCs, as only sub-contracts with a value of £1 million or more in each QDC/QSC are reported. This analysis as such may not represent the entirety of sub-contracts involved in the delivery of QDCs/QSCs. However, some of the individual sub-contracts reported may contribute to more than one contract, so the sub-contract prices reported in Figure 20 are not necessarily fully attributable to the QDC/QSC it has been reported against. Some of the sub-contract prices used in these figures may therefore overestimate the amount of sub-contracting occurring within the associated QDC/QSC.

Until September 2019, only the highest value 20 sub-contracts with a value of £1 million or more needed to be reported within the contract reports. Since September 2019, the restriction for the top 20 sub-contracts has been removed, so all sub-contracts with a value of £1 million or more must be reported. The analysis in Figures 17, 19 and 20 showing individual sub-contract numbers/prices introduces a new methodology that now uses all sub-contracts reported in contractors' reports, which will either be the top 20 sub-contracts with a value of £1 million or more, or all sub-contracts with a value of £1 million or more, depending on whether the report was submitted before or after September 2019. Some contractors provide details of sub-contracts below £1 million, which are still included in the analysis.

The sub-contract price statistics in Figure 18 reflect the latest estimated total price of sub-contracting within QDCs/QSCs. From the 2020/21 bulletin onwards, Figure 18 now uses the 'Total price of the QDC/QSC that is attributable to sub-contracts' field in DefCARS, rather than the sum of sub-contracts over £1m, following a review of the data quality of this field. Figure 18 therefore

includes sub-contracts with a value of less than £1 million, and only includes the amount of the sub-contracts that are attributable to the QDC/QSC.

Figure 27: How QDC, QSC and sub-contracts have been treated in the analysis



Outturn price in completed contracts

When a contract is completed, it is likely that no further contract update reports will be received in which case the contract data submitted through statutory reports will remain relatively unchanged, unless corrections to these reports are provided. Contract Cost Statements are submitted after the CCR and may update the reported data, but these are unstructured reports and so are not used in the analysis.

The ‘Number, duration and SME involvement’ methodology section explains how completed contracts are defined in this analysis. All actual and forecast data used in the completed contracts statistics reflect the position at contract completion as reported in the CCR. The estimated costs and profit within this section are also sourced from the CCR and reflect the latest agreed price, which may be the price when the contract was entered into or, if it has been amended, the price following the most recent amendment.

The variances reported within the completed contract statistics have been calculated between the estimated price at the latest time of agreement (either the date the contract became a QDC/QSC or the date of the latest amendment) and the actual and forecast price at the contract completion date. A contractor can still report some forecast costs when submitting its completion reports (up to 5 per cent of the price without an explanation, or more if an explanation is given), so the actual and forecast price may not reflect the final outturn price. It also does not reflect any final price adjustments or TCIF adjustments. The underlying cost and profit data has been rounded to three decimal places (in line with the SSRO’s Reporting Guidance on entering this data in DefCARS) before calculating the percentage variance.

Data quality

Accuracy and reliability

The estimated contract prices, costs, duration, sub-contracts and profit rates reported are those used for contract pricing purposes and may not reflect the outturn costs and profit of the contract once it is completed. Where a contract has submitted a Contract Completion Report, the estimated price, cost and profit rate reported in all analysis (other than the 'Outturn price in completed contracts' section) are still the estimates as at the latest time of agreement, rather than the outturn costs and profits.

The SSRO monitors the extent to which report submissions comply with the reporting requirements under Section 36(2) of the Single Source Contract Regulations. The **SSRO Annual Compliance Report 2024** provides details on the data quality of report submissions with respect to the extent they comply with the reporting requirements. The SSRO's compliance review function does not involve providing assurance that individual contracts have been priced in accordance with statutory requirements, nor is it an audit of individual submissions. The MOD also carry out reviews of the data quality of data contained within these reports, in line with their own commercial guidance. It is important to note that, whilst reviews of the data do take place, reviews may not have taken place on all the data by both organisations at the time of production of this bulletin. Data is as reported by contractors unless there are significant data quality issues (see 'Data adjustments' below).

Data revisions

All figures are provisional and may be updated in future planned statistical releases. Data may also be revised for previous periods where report submissions which were not received by the reporting cut-off date are later received, or where suppliers have provided corrected or updated reports with new data. Where data is revised from a previously published statistic, the figure will be indicated with an 'r'.

Where errors are found in the statistics, or where there are significant changes to published data that might affect the utility of the statistics, the SSRO may correct these by reissuing the publication, outside of the scheduled statistical release programme. Where this happens, the reason and impact of the revision will be given.

Data adjustments

All data is as reported by defence contractors, except in circumstances where there are known, and significant, data quality issues. Where there are issues, the data has been amended to ensure the statistics are not misleading. In summary, the following adjustments were made in a small number of cases:

- some dates the contract became a QDC/QSC were amended, if the reported date fell within a different financial year to the known date the contract became a QDC/QSC;
- some contract/sub-contract prices were amended, for example where these were reported in different units or currency; and
- where the latest contract report did not provide the required data, a previous contract report was used if that did contain the relevant data.

Additionally, where contractors have entered monetary values in currencies other than pounds sterling, values are converted using the exchange rates published by the Bank of England as of the first day of the month in which the contract became a QDC/QSC.

Rounding

Totals are calculated on unrounded figures, before being rounded for presentational purposes. Therefore some totals may not sum due to rounding.

Commercial sensitivity

Due to the commercial sensitivity of this data, the SSRO does not release any information that will enable identification of individual contracts or contractors included within the analysis. Where publication of a low number of QDCs/QSCs within a particular data point may risk anonymity, this is suppressed, denoted by a “*”. Detailed categories of data may also be reported at a higher level if they present a potential risk to anonymity.

For more information on the SSRO’s handling of commercially sensitive information, see the **SSRO’s statement on its website**.

Glossary

Allowable Costs: A contractor’s costs (which include those already incurred and those which are anticipated) are Allowable Costs in a QDC or QSC to the extent they are appropriate, attributable to the contract and reasonable in the circumstances.

Alternative Pricing: On 1 April 2024 amendments to the Regulations took effect, allowing for new alternative pricing methods to be used in QDCs/QSCs. These are intended to be used in circumstances where application of the pricing formula may not be possible or because a fair price can be satisfactorily established by other means. This includes, for example, where prices are already regulated or where there is a market price which can act as a reference (such as off the shelf software). The number of contracts utilising these alternative pricing methods to date is low, and so they have all been grouped into an ‘alternative pricing method’ group for the purposes of these statistics, including those reported under Regulation 19G ‘Aggregation of Components’.

Contract completion date: Provided by the contractor, it may be the earlier of the date on which the contractor completes all obligations in the contract whereby the contractor becomes entitled to final payment, or the termination of the contract.

Contract price: the price payable under a QDC or QSC, determined in accordance with one, or a combination, of:

- the default pricing method, applying the formula:
Price = (Contract Profit Rate x Allowable Costs) + Allowable Costs, and/or
- an alternative pricing method, in accordance with the relevant provision (contained in Regulations 19A – 19G).

Where a QDC or QSC contains components, the price payable is determined in accordance with:

- Regulation 19G (aggregation of components), or
- The sum of the prices payable for each component

Contract profit rate (CPR): When agreeing the contract profit rate, contractors and the MOD must follow a process set out in section 17(2) of the Act and Regulation 11 of the Single Source Contract Regulations 2014.

Contract value: As determined under regulation 5 of the Single Source Contract Regulations 2014. The contract price and the contract value may be the same but in determining the contract value the contracting authority must take account of contract options which may not be included in the contract price and the likelihood of them being exercised.

Date became a QDC/QSC: Either the date the contract was entered into, or if it is a contract brought into the regime following an amendment, the date of the amendment.

Qualifying Defence Contract (QDC): A non-competitively procured defence contract entered into on or after 18 December 2014 with a value of £500 million or more (if entered into prior to 31 March 2015), or £5 million or more (if entered into on or after 31 March 2015). Non-competitively procured contracts with a value of £5 million or more and entered into before 18 December 2014, and competitively procured contracts with a value of £5 million or more, may become QDCs if they

are amended without competition on or after 18 December 2014 and the parties agree to them being brought within the regulatory framework. The Single Source Contract Regulations 2014 specifies the circumstances in which a contract that meets the requirements for being QDC is not a QDC.

Qualifying Sub-contract (QSC): A sub-contract that has been assessed as meeting the requirements to be a QSC, requiring notice of the assessment to be given in writing to the sub-contractor and the Secretary of State (or an authorised person). The requirements for a sub-contract to be a QSC include that it is not the result of a competitive process, is valued at £25 million or more and delivers anything for the purposes of a QDC or another QSC. The Single Source Contract Regulations 2014 specifies the circumstances in which a contract that meets the requirements for being QSC is not a QSC.

Time of agreement: Either the date on which a QDC/QSC is entered into, the date of an amendment if it is a QDC/QSC by amendment, or if the price payable is re-determined, the date of that redetermination.

Further information

The SSRO is committed to engaging with stakeholders to improve these statistical releases. During the next year we are planning to consult with stakeholders and review the data presented in the annual and quarterly bulletins with a view to simplifying these publications and focus on the key data stakeholders need.

If you would like to get in touch, please email us at helpdesk@ssro.gov.uk. The SSRO also welcomes feedback through the regular engagement it conducts with stakeholders.