

LONDON CYCLE HIRE SCHEME AGREEMENT

Schedule 23 – Gainsharing

SCHEDULE 23

Gainsharing

1. Introduction

- 1.1 Gainsharing shall be calculated and shared between TTL and the Service Provider in accordance with this Schedule 23.
- 1.2 In this Schedule the following terms shall have the following meanings:
- (A) **“Gainshare Service Provider Turnover”** means the total of all Service Charges and other sums received by the Service Provider under or in relation to this Agreement in the relevant period; and
 - (B) **“Gainshare Profit”** is the total profit relating to the provision of the LCHS Assets, Service Systems and Services.

2. General

- 2.1 The Gainsharing Payment mechanism set out in this Schedule 23 shall operate from the Effective Date.
- 2.2 The Service Provider shall:
- (A) provide an annual statement setting out the calculation of Gainshare Provision for each Operating Period in the relevant period, based upon the Project Accounts (each a **“Period Statement”**);
 - (B) provide each Period Statement to TTL within the time periods set out in paragraph 5 below;
 - (C) include in each Period Statement details of all transactions between Service Provider Group members relating to this Agreement, clearly indicating whether they relate to Gainshare Provision; and
 - (D) ensure that all transactions between Service Provider Group members relating to this Agreement are undertaken at competitive rates and on an arm's length basis.
- 2.3 The Service Provider shall apply its normal accounting policies in calculating the Gainsharing Payments and in constructing the Period Statements. Each Period Statement will include a statement of the accounting policies applied in its production and a confirmation that these are consistent with the Service Provider's normal accounting policies.
- 2.4 The amount of Gainshare Profit payable to TTL shall be calculated in relation to the following periods:
- (A) the Implementation Phase (the **“First Period”**);
 - (B) the Operational Phase to the end of the Initial Term (the **“Second Period”**); and

(C) if the Term is extended, the Extended Term (the “**Third Period**”), in accordance with the percentages set out in the following tables:

Table A - The First Period

	<u>% Gainshare Profit retained by the Service Provider</u>	<u>Gainshare Payment</u>
<u>First 12%</u>	<u>100%</u>	<u>0%</u>
<u>Thereafter</u>	<u>75%</u>	<u>25%</u>

Table B - The Second Period

	<u>% Gainshare Profit retained by the Service Provider</u>	<u>Gainshare Payment</u>
<u>First 12%</u>	<u>100%</u>	<u>0%</u>
<u>Next 4%</u>	<u>75%</u>	<u>25%</u>
<u>Next 4%</u>	<u>50%</u>	<u>50%</u>
<u>Thereafter</u>	<u>25%</u>	<u>75%</u>

Table C - The Third Period

	<u>% Gainshare Profit retained by the Service Provider</u>	<u>Gainshare Payment</u>
<u>First 12%</u>	<u>100%</u>	<u>0%</u>
<u>Next 4%</u>	<u>75%</u>	<u>25%</u>
<u>Next 4%</u>	<u>50%</u>	<u>50%</u>
<u>Thereafter</u>	<u>25%</u>	<u>75%</u>

3. Project Accounts

The Service Provider shall prepare the Project Accounts on a Monthly basis and provide them to TTL within ten (10) Working Days of the end of the relevant Month, or within such other period as the Parties may expressly agree in writing.

4. **Audit**

- 4.1 Without prejudice to TTL's other rights under Clause 42 (*Audit and Inspection*), TTL reserves the right to commission an independent auditor to provide an audit certification for any Period Statement and/or any Project Accounts.
- 4.2 In the event of discovery through such independent audit of material discrepancies in the calculation of Gainshare Profit, the Service Provider shall:
- (A) revise and re-submit the Period Statement within ten (10) Working Days of written notification by TTL requiring it to do so; and
 - (B) on written demand of TTL, pay to TTL all costs incurred in undertaking, and incurred by TTL in relation to, such audit certification.

5. **Period Statements**

- 5.1 The Service Provider shall provide TTL with a Period Statement within five (5) Working Days of the publication of the Service Provider's audited annual Financial Statements. The Period Statement must show full working details of calculations of payments to be made to either TTL or the Service Provider under this Schedule 23 for the relevant period. The Service Provider shall provide the Period Statement in a printable and electronically transferable format.
- 5.2 Following the final Operating Period, the Service Provider shall provide a Period Statement based on the Project Accounts made up to the same date as the first Financial Statements (whether interim or final) that are produced within six (6) Months following the expiry or termination of the Agreement.

6. **Gainsharing Payments**

- 6.1 The Gainsharing Payment shall be set-off against the Service Charges in the next Monthly Invoice following such Gainsharing Payments being agreed or determined by the Parties.
- 6.2 The Gainsharing Payment, if any, in respect of either:
- (A) the First Period, if this Agreement is not extended in accordance with Clause 2.2 (*Duration*); and/or
 - (B) the Second Period,

shall be made within thirty (30) calendar days of the issue of the Period Statement for the final Operating Period of the First Period and Second Period, as applicable.