

The failing firm test—part 3: no less anti-competitive alternative

1. Given that the company would have failed and was not able to be successfully restructured as an independently viable business, the third criterion of the failing firm assessment considers whether there was the possibility of a sale of the business or its assets to one or more other businesses, which would have represented a less anti-competitive alternative to the merger. If not, the criterion considers whether the remaining competitors would have competed for the company's share of the market to still give a less anti-competitive alternative to the merger.
2. This appendix considers the evidence we reviewed, both with regard to the sale process actually undertaken by GVI and our own investigations into possible purchasers of GVI's business or its assets.

The GVI sale process***Companies***

3. The former GVI directors submitted that, early in 2005, they recognized that the business was 'in bad shape' and took the decision to sell the business. They recall approaching the following companies to ascertain their interest in acquiring GVI:

<i>Date</i>	<i>Company</i>	<i>Interest</i>
March 2005	Teledyne Technologies	Shows interest but declines to make an offer.
March 2005– Sept 2005	Glenrose	Expresses interest in March; issues offer letter in May, which was acceptable to directors; enters period of exclusivity in June for 90 days; subsequently reissues letter of intent but at lower price; extension to exclusivity period is refused by directors. Glenrose continues in the process until the deal with Thermo is announced but 'does not undertake any further steps to progress to a transaction, and GVI comes to the view that Glenrose is unlikely to follow through with a real offer'.
Early 2006	[REDACTED]	Approaches GVI and conducts due diligence but declines to make an offer.
Early 2006	Gatan	Discussions take place but declines to make an offer.

4. The former GVI directors did also have discussions with Nu Instruments in 2004, soon after the GVI business was established, to discuss the possibility of a merger between GVI and Nu. [REDACTED] Two years later in 2006, when the GVI business was struggling and a purchaser was required, the former GVI directors did not approach Nu Instruments as they considered that its rejection in 2004 indicated that it would still not be interested in a deal, even if the proposed deal now would be for Nu Instruments to buy GVI.

5. The GVI directors perceived three key stumbling blocks to a sale:
- GVI's cash crisis meant that any purchaser would not only need funds to buy the business, but also funds to make a large cash injection into the business—meaning that most small companies would be unable to buy the business;
 - potential competition issues in any sale of the business to Thermo; and

- unattractive terms in a licence agreement with Waters regarding software and other patented technology used by GVI, meaning that a sale to many of Waters' competitors might be difficult.

The first of these concerns is explained in Appendix D. The second and third of these concerns are outlined in more detail below.

The potential competition issues

6. In 1995/96, the Federal Trade Commission (FTC) investigated the proposed acquisition of Fisons by Thermo. Due to competition concerns, the FTC indicated that it would probably block Thermo's acquisition of 'substantially all' of Fisons' MS and high-resolution MS businesses, including Fisons' IRMS business, if the deal went ahead. As a result, Thermo reduced its offer from \$320 million to \$260 million but acquired the remaining Fisons businesses; while Fisons' carved-out MS businesses were divested separately.¹
7. The former GVI directors were aware of this previous ruling and also aware that, in three of its IRMS markets (Gas IRMS, TIMS and MC-ICP-MS), Thermo remained its principal competitor (in TIMS, Thermo was its only competitor). The directors considered that, although the previous transaction which was blocked by the FTC involved a much larger MS business, any sale of GVI to Thermo might attract similar anti-competitive concerns.

The Waters licence

8. As part of the MBO agreement in 2003 from Waters, GVI agreed a [redacted] licensing agreement relating to the use of Waters' software and other patented technology in GVI's products. As an incentive to assist in achieving a successful MBO, GVI was allowed to continue to use the Waters software, [redacted].

¹New York Times article, 16 February 1996.

9. In September 2005, the GVI directors approached Waters for guidance [REDACTED].
10. Although the royalty agreement appears relatively clear, [REDACTED]. These negotiations remain ongoing. GVI is now recognizing a cost of [REDACTED] per cent of all relevant product sales as a royalty expense, though this amount is only being provided in its accounts and is not yet being paid to Waters.
11. If GVI were to go into liquidation, then the royalty licence would cease such that any acquirer of assets which depended on the Waters intellectual property assets would have to renegotiate a royalty licence with Waters. [REDACTED]

Thermo

12. In June 2005, Thermo approached GVI, expressing interest in acquiring the company. However, due to both the potential competition concerns and the Waters licensing arrangements, the former GVI directors did not consider that it could pursue this option. The former GVI directors were also sensitive to the potential commercial risk of advancing negotiations and sharing information with Thermo when a deal may not ultimately be concluded.
13. In April 2006, GVI approached Thermo to investigate whether it might still be interested in a deal. Thermo responded with interest. Thermo indicated that it would take legal advice on the potential competition concerns and suggested that the issues with Waters could be resolved as it did not need the software for future sales (it would use its own software) and the risk of having to pay retrospective royalties could be included within the terms of the transaction. On 14 April 2006, Thermo made a non-binding offer of £[REDACTED], on a debt-free basis. Following a response from GVI on 21 April 2006 stating that '£[REDACTED] is not competitive with one other non-binding offer that we are dealing with ... and in order for your value to be competitive it would

need to rise to £11.7 million', Thermo increased its non-binding offer on 24 April 2006 to £11.7 million, still on a debt-free basis. GVI accepted this offer.

14. Thermo has argued that 'a fact of particular importance is the way GVI dealt with Thermo', first rejecting Thermo's interest, due in part to competition concerns, and only subsequently going back to Thermo when its financial situation was worse and its efforts to find a buyer elsewhere had been unsuccessful. The former directors of GVI have also made clear that the declining health of Paul Schofield, who was terminally ill, was a significant motivation in seeking to find a buyer quickly.
15. Thermo and GVI signed a confidentiality agreement on 3 May 2006 and due diligence commenced the next day. It was anticipated that financial due diligence would be limited, due to GVI and Thermo being competitors, so it was agreed that £[X] of the consideration would be placed in an escrow account at completion to settle any adjustment between the reference accounts used as the basis of the transaction and the completion accounts prepared subsequently. The former GVI directors also gave significant warranties regarding the business and the fair valuation of its assets. The transaction completed on 20 July 2006.

M&A advisers

16. The former GVI directors have submitted that in July 2005 they asked Gammer Group International (GGI), a US corporate finance adviser specializing in scientific instruments, to look for potential buyers of the company. According to the former directors, GVI did not give GGI a retainer due to the level of interest GVI had already received 'but promised [GGI] a commission if a suitable buyer was found'. The former directors of GVI believed that GGI took this mandate seriously as GVI was told by three companies that they had been approached by GVI's advisers. However, in the end, GGI generated no significant leads.

17. Hubert Gammer (GGI's Managing Partner) confirmed that GVI never actually mandated GGI to be its corporate finance advisers. [REDACTED] Hubert Gammer explained that he pursued GVI for a sale mandate, but he never acted formally for GVI.

Our investigations into potential purchasers of GVI or its assets

18. The possible buyers for GVI, either of the entire business or of its assets, can be considered in two groups: those which were involved in GVI's sales process and those which were not.
19. The reason why the GVI directors did not make an approach to many buyers was because they perceived most buyers to be too small and to have insufficient resources to conclude a transaction. Also, the focus of the directors was on selling the entire company, rather than considering a break-up of the business and the sale of GVI's individual assets.
20. The former GVI directors have more recently considered the break-up option and submitted: 'Gas IRMS have some new applications in growth markets ... they have a more standardised technology, lower cost and faster turnaround, so this is probably the most likely candidate for a spin-off. However, no interested buyers approached GVI.' They continued: 'Nobody would acquire a standalone TIMS business. The market is too small and unattractive. This might be an option for an employee buy-out, but unlikely due to large capital requirements'. However, the former GVI directors made no effort to identify or approach any possible buyers for the various principal parts of the GVI business prior to the transaction with Thermo.

21. [REDACTED]

[REDACTED]

[REDACTED]

Companies involved in GVI's sale process

Glenrose

22. Glenrose is an investment vehicle owned by several high net worth ex-Thermo executives, who are now largely retired. The company currently has two subsidiaries, the largest being Eberline Services, a nuclear clean-up business, which has revenues around \$30 million. The strategic intent of Glenrose is to acquire a portfolio of analytical instrument companies, which are generally either break-even or producing a small profit, and to add value through the expertise of the directors and possibly through some portfolio synergy.

23. In March 2005, GVI proposed the sale of its business to Glenrose. On 2 May 2005, after several visits by Glenrose to the GVI site, Glenrose submitted an indicative offer of £[X] for the business on a debt-free basis (£[X] for the equity of the business and £[X] of assumed debt). Two weeks later, on 16 May 2005, Glenrose increased this offer to £[X] on a debt-free basis (£[X] for the equity of the business and £[X] of assumed debt). This indicative offer was acceptable to GVI and, as a result, in June 2005, Glenrose entered into a 90-day period of exclusivity. Following this period, it issued a lower offer of £[X] on a debt-free basis (ie £[X] less than the price ultimately agreed with Thermo). This offer was not rejected but an extension to the exclusivity was not granted. However, discussions continued with Glenrose up until the deal with Thermo was signed in July 2006.

24. Thermo has submitted that the reason why a deal with Glenrose did not proceed 'seems to have been due to Glenrose's failure to take substantive steps towards a purchase, not to a lack of interest on behalf of GVI'. The former directors of GVI have submitted that 'Glenrose did not undertake any further steps to progress to a transaction, eg although they met with lawyers about the proposed deal, they had not actually retained any legal advisers or other third parties such as accountants, let

alone sending them in for due diligence'. Rik Chapman (a Glenrose director) 'speculated that Paul Schofield's health may have been a reason [for it pursuing other buyers], and that GVI's suppliers were pressing for payment, so there was possible cash pressure'. He also 'suspected that Glenrose's slow pace led to GVI's talks with other parties'.

25. [✂]

26. However, Glenrose has submitted that it could not get comfortable with a few issues at GVI, in particular its financials. Glenrose believed that the information which it was seeing was limited and often untimely. Rik Chapman reported that 'Glenrose had been trying to sort out the value of GVI's large inventory, which was of slow movement ... GVI's CFO had not been working every day and couldn't provide some of that information, so Glenrose did not reach a value. The process eventually dried up due to the slow flow of information.' Though Glenrose did gain some appreciation of the issues and risk factors at GVI, such as its large stock position and difficult trading relationships with suppliers, Rich Melanson, the Glenrose director most closely involved in reviewing GVI, still had only a limited appreciation of the business:

[✂]

[✂]

27. Glenrose believed that 'it would have had adequate resources from internal and external funding sources to complete the acquisition'. Indeed, it is probable that Glenrose would also have had sufficient resources for the cash injection necessary to rectify GVI's supplier relationships and to fund working capital. In June 2006, Glenrose was in contact with the Bank of Scotland, with a view to negotiating debt-funding for a buy-out of GVI. Although we understand that the Bank of Scotland would have preferred not to continue its investment in the company, it is likely to

have accepted this arrangement if it saw further equity funding being invested at the same time. Glenrose also approached other banks and it is likely that some line of funding would probably have been achieved.

28. Paul Schofield (GVI's Finance Director) successfully retained Glenrose's interest in the business until the deal with Thermo was signed, maintaining competitive tension in the process. Thermo was aware of Glenrose and appreciated that it was a credible buyer, both in its strategic intent and in its financial and managerial capability. However, after the initial interest in the summer of 2005, the GVI directors began to be sceptical of whether Glenrose would ever complete a transaction and, in 2006, as discussions with Thermo progressed, they began to seriously doubt them.
29. Although Glenrose's investigatory process had been going on for some time, it still had several significant hurdles to clear before completing a transaction, while GVI's business was steadily getting worse. Even if Glenrose was interested in continuing discussions, given the remaining process which it still had to complete, its slow pace in the process to date, and the rapid decline of the GVI business, it is highly unlikely in the absence of the acquisition by Thermo that Glenrose would have concluded a purchase of the business in time before the business went into administration.
30. However, once in administration, the proposition to Glenrose would have been very different. Glenrose may have a stated preference to acquire robust businesses which can be improved rather than failing businesses which need turning around but GVI is a business with which it had spent much time, was highly familiar, and keen to purchase. Glenrose has submitted to us that '[it] would have been interested in having a discussion with the correct authority about the condition of the GV business, the likely price range for a sale, and other business issues in order to determine what Glenrose might [have been] prepared to do under the conditions of the receivership'.

The key GVI assets of interest to Glenrose, its products, critical employees and market position, may have been at risk in an administration but would have remained available were Glenrose able to move fast. Though Glenrose had moved slowly to date, its directors were experienced acquirers of businesses and would appreciate the urgency in this situation. In administration, with GVI available unencumbered with liabilities and at a much cheaper price, Glenrose is very likely to have remained an interested acquirer.

Companies not involved in GVI's sale process, but identified by the CC

[REDACTED]

31. The former GVI directors submitted that they did not consider [REDACTED] as a buyer [REDACTED].

32. In 2006, [REDACTED] was not aware that GVI was for sale. [REDACTED] 'knew that [GVI] was in financial difficulties, and understood that [it was] discussing a cash injection from at least two sources,' but it did not know that it was seeking buyers. [REDACTED] commented that 'we had no indications that they were actually trying to sell the company'.

33. [REDACTED] submitted:

In our discussions on the future expansion of [REDACTED], the directors and shareholders have recognised for a long time that:

 - the entry into the stable isotope market, dominated by GVI and Thermo, would be an obvious road for us to travel;
 - [REDACTED]

34. [REDACTED]

35. [REDACTED] commented that 'If [GVI] had approached us, we would definitely have spent a lot of time trying to come to a sensible decision. At that time, it would have been a

sensible way for us to expand, if it wasn't going to bring us down by the problems that GVI had and [if] we could have afforded it.' [X] continued: 'At that time ... I wouldn't have thought there would be much problem integrating [GVI's] product line with ours.'

36. [X]

37. [X] stated that it 'has been asked on a number of occasions to produce a [X] product to compete against Thermo'. These requests suggested to [X] that the GVI product was not well received in the market and that Thermo was already a monopolist. Though [X] considered this possibility, it 'decided it would not be a sensible use of resources to start from scratch'.

38. [X] summarized [X]'s response that:

It should be obvious ... that we would have been very interested to discuss some form of acquisition or merger with GVI, had we been approached. It would have enabled us to achieve a very large share of a market which we would like to enter, but did have a number of 'downsides' ... If GVI or its advisers had approached us, we would have given the possibility of some form of tie-up/take-over a great deal of thought. Our cash reserves would have allowed a maximum of £[X] of our own money to be used and we would [have] undoubtedly been prepared to borrow more.

(At 31 December 2005, [X]'s audited financial accounts report a net assets position of £[X], including £[X] of cash.²) [X] continued:

We would not initiate such a dialogue, since it would immediately raise the cost we would have been forced to pay for any take-over. We

²[X] statutory accounts, year to [X].

suspected that if we had been approached, and did not proceed, that GVI would fold and we may have then been able to purchase some assets from the administrator.

39. If GVI had gone into administration, [REDACTED] commented that 'my feeling would probably be to go and take everything'. He continued, [REDACTED] is well aware of the integration challenge that an acquisition of GVI would have posed to [REDACTED]: 'We'd have to assume that most of the staff would come and work here. We would have effectively more than doubled the size of the company. We don't doubt it being interesting in trying to do it but I don't think it would be insurmountable ... Technologically, we were not the slightest bit worried.'
40. [REDACTED] is aware of several factors at GVI which would have caused considerable concern about buying the company: disgruntled customers with products not meeting specification, installations dragging on for months, some suppliers not being paid, lack of intellectual property requiring a licensing arrangement with Waters, [REDACTED].
41. If [REDACTED] had been approached, [REDACTED] is realistic that [REDACTED] 'would not have been prepared to offer any large sum, ... since a large investment was needed in the business to ensure that it overcame its problems ... Personally, I suspect we would have offered only about £[REDACTED]'. If the acquisition had gone through, [REDACTED] would have 'removed most of the top management and sales personnel, but not development personnel' or GVI's sales agencies.
42. If [REDACTED] had acquired the entire GVI business, [REDACTED] would have sought [REDACTED].
43. Given [REDACTED]'s limited insight into GVI, it was not aware of the seriousness of many of GVI's problems. Had it been approached to bid for the company, the risks associated

with GVI's failure to meet orders, poor supplier relationships and problematic products would have seriously threatened the viability of [X]'s own business. [X] is successfully managed by scientists, not business turnaround specialists, and they are likely to have concluded that an acquisition of the business was too risky. Rather, considering that a sale to Thermo was restricted for competition reasons, [X] would probably have waited for GVI to fail, before then considering its options. However, at this stage, it is very likely to have bid for the business. The value it would have attributed to the parts of the business which it would not have wished to continue [X] would have been very small so an administrator might have considered the potential value to be greater by breaking up the business.

44. The former GVI directors did not consider whether [X] might have been interested in acquiring some of the assets of GVI were the business broken up in administration.

45. [X] commented that, 'On takeover, existing customers tend to expect the new purchaser to sort out their existing problems. Had GVI been in receivership, [X] would obviously have paid less [for] certain assets, and would not have had to pay off the directors [but] GVI might have been so bad that [X] would have walked away.' However, the fundamental assets of GVI were of serious interest to [X] so, were some of the risks of acquisition removed through administration (eg outstanding creditors, retrospective royalty payments etc), [X] would have been an interested and credible buyer. Both GVI's IsoPrime business and possibly its [X] business would have been of strategic value to [X] and, with GVI in administration, [X] would have had the resources to complete a deal.

[REDACTED]

46. The former GVI directors submitted that they did not consider [REDACTED] as a possible buyer of the business due its size. [REDACTED] the GVI directors presumed that it would not have sufficient access to capital to buy and run GVI. [REDACTED]
47. [REDACTED] submitted that ‘we were aware of GVI’s problems and had discussed options if [it] collapsed into receivership or [was] subject to a buyout which might split up the group ... Our discussions were limited to internally talking with our finance director [and] led us to the conclusion that we adopt a wait and see approach.’ [REDACTED] clarified, ‘We were sitting on the sidelines. We did have discussions internally, and we monitored the situation carefully.’
48. [REDACTED] stated its interest:
- We’d have certainly wanted to look at [the whole business]; whether we’d have actually decided to purchase is, of course, another matter and it would depend on what were the liabilities ... Obviously the goodwill of the stable isotopes group would be paramount to us, but also the Noble Gas, and possibly the TIMS.
49. [REDACTED] continued that ‘As a small company, our ability to finance any such venture was, and is, very limited’. [REDACTED] suggested that ‘with the liabilities GVI had, the sum [REDACTED] might have paid for the business] would have been small’. [REDACTED] has stated that it could not have raised enough cash to buy GVI as a going concern.
50. [REDACTED] submitted that ‘the suspected liabilities of the company were very large. So, it would be difficult to go to any of the banks, you know, hand on heart, and say to them we could make a quick turnaround for them ... It wouldn’t be feasible.’

51. [X] was aware of GVI's problems. [X] told us:

We work quite closely with people who work in GVI, so we did know what the issues were quite closely. To turn the company around would have been hard work, but it was certainly achievable; a lot of it was technical issues where instruments needed updating and certain design changes needed to be made. One of the biggest problems that GVI had—one of the reasons why they were losing so much money—was that the quality of the production was poor, and as a result the installation times within the customers' laboratories [were] extremely long ... what we would have done was to revisit the electronics, the software, update everything and make the design changes which would mean the installation periods would drop. For instance, the average installation time of an IsoPrime carbonates system is now over two months for GVI, [X] ... Another issue is [that] ... GVI did not own their own software; they licensed it from Micromass ... [X] ... They were [also] paying subcontractors irregularly at best ... Because the payment conditions were poor, GVI were having to wait for product to be delivered to the factory, which was then delaying shipping of the instruments, and sometimes they simply couldn't get the products at all ... So, even if they had a fantastic product, they simply couldn't get it to site on time. [Lastly], when they bought the company, we strongly believed they paid far too much for it, so they were carrying a lot of debt.

52. [X] summarized: '[GVI] wasn't a healthy company ... but there was certainly potential to turn it around and certainly potential to make it a £10 million turnover per annum company, quite easily, and that was the figure they should have been doing. I think we could have achieved that quite quickly.'

53. The former GVI directors did not consider at the time whether [REDACTED] might have been interested in acquiring some of the assets of GVI were the business broken up in administration. In their submission, they recognized that [REDACTED] might have been interested in such an option, though they equally noted that [REDACTED].
54. When [REDACTED] became aware of GVI's problems and had its own internal discussions, [REDACTED]' management team considered, were GVI to go into administration, what of its assets might be of interest, and how [REDACTED] might fund the purchase. [REDACTED] suggested that, in administration, GVI's 'stable isotope business would have been our focus and possibly the Noble Gas instruments'. [REDACTED]
- [REDACTED]
- [REDACTED]'
55. [REDACTED] estimated the value of GVI's customer base at £[REDACTED] and the order log at a further £[REDACTED]. Some stock would also have had value in order to provide servicing, though a lot of GVI's stock was redundant. [REDACTED] also stated: 'The true value of the company we wouldn't know unless we actually saw the liabilities; but, if we actually just bought the instrumentation, bought the IP, I think it would be valued around about £[REDACTED]—that's forgetting the liabilities; the liabilities would probably be around £[REDACTED].'
56. [REDACTED] Acquisition of the IsoPrime brand, together with GVI's Gas IRMS customer base and order log, would be of clear value to [REDACTED] The strategic value of this acquisition to [REDACTED] might have been less than to [REDACTED], but [REDACTED] interest would have enhanced the competitive tension in the administrator's disposal process.

[REDACTED]

57. The former GVI directors submitted that they did not consider [REDACTED] as a possible buyer of the business [REDACTED].

58. [REDACTED] has submitted that it was very unlikely that it would have been interested in acquiring the business of GVI.

59. The former GVI directors did not consider at the time whether [REDACTED] might have been interested in acquiring some of the assets of GVI were the business broken up in administration. In their submission, they stated that they did not believe that [REDACTED] would have been interested in such an option.

60. [REDACTED] has submitted that, had GVI gone into administration, it would have been interested in both the designs and the customer base of GVI's Gas IRMS product (the IsoPrime) [REDACTED].

61. [REDACTED] recognized that some of GVI's products had limitations and some of the instruments sold were not fully operational. [REDACTED] was aware that, as a result, 'there was some customer dissatisfaction with both the product and the servicing'.

62. [REDACTED]

[REDACTED]

63. The former GVI directors did not consider [REDACTED] as a possible buyer either of the GVI business or its individual assets in administration.

64. [REDACTED] submitted that it was unlikely to have been a realistic bidder for GVI's entire business due to being a very small company and restricted by its ability to raise finance.

65. [REDACTED]

66. [REDACTED] had not considered the possibility of GVI going into administration and any opportunity which might have arisen to acquire some or all of its assets. [REDACTED] admitted that it was unaware of GVI's trading position prior to its sale to Thermo. However, [REDACTED] submitted that it 'would possibly have been interested either in all or part of the business, depending on finance'.

67. [REDACTED] is not a direct competitor to GVI or Thermo in the supply of Gas IRMS products and it has not indicated any strategic intent to move into this market. Indeed, [REDACTED] was not closely observing the market prior to GVI's sale. Though [REDACTED] might have made an opportunistic bid for GVI's Gas IRMS business, and in doing so enhanced the competitive interest in these assets, given its limited interest and own cash constraints, it is very unlikely that [REDACTED] would have been the successful purchaser.

[REDACTED]

68. The former GVI directors did not consider [REDACTED] as a possible buyer either of the GVI business or its individual assets in administration.

69. [REDACTED] submitted that it would not have been a serious bidder for the GVI business, had it been approached.

70. [REDACTED] However, if GVI had gone into administration, [REDACTED] claimed that it could have been interested in GVI's Gas IRMS product, in particular its designs and testing

engineers. [REDACTED] understood that this product was sold at a reasonable price and was liked in the market. [REDACTED] stated that it would not have been interested in any of the other GVI products, which it considered were getting old.

71. [REDACTED] As such, although indicating some level of interest in GVI's Gas IRMS business, which might have enhanced the competitive interest in these assets, it is very unlikely that [REDACTED] would have been the successful purchaser of them.

[REDACTED]

72. [REDACTED] never expressed an interest in buying the whole of the GVI business.

73. Had GVI gone into administration, [REDACTED] has submitted that it would have been interested in [REDACTED] its IsoPrime product. [REDACTED] could not indicate how much it would or could have paid for these products or the associated business, or how it would have sought to incorporate this business into its existing operations.

74. Although [REDACTED] may have been another bidder for GVI's Gas IRMS product, it is unlikely that it would have been the successful acquirer of these assets.

[REDACTED]

75. [REDACTED] has submitted that it would not have been interested in acquiring GVI's entire business.

76. [REDACTED]. As a result, [REDACTED] has submitted that it would have bid for GVI's IsoPrime product and associated business.

77. [REDACTED] indicated an approximate value for GVI's IsoPrime business: around [REDACTED] per cent of one to two years of relevant turnover, ie a purchase value around £[REDACTED].

78. [REDACTED] was aware of some of GVI's trading problems, in particular its long onsite installation times. However, [REDACTED] did not consider that GVI was about to go into administration and so had not prepared for this eventuality. Rather its strategy was [REDACTED]. Any potential acquisition of GVI's IsoPrime product would have been for this primary reason.

79. If GVI had gone into administration, [REDACTED] is very likely to have bid for GVI's Gas IRMS business [REDACTED]. As such, it is unlikely that [REDACTED] would have been the ultimate successful acquirer of these assets but its interest would have added to the competitive process.

[REDACTED]

80. [REDACTED] submitted that it would not have been interested in acquiring GVI's entire business.

81. [REDACTED] explained that it:

[REDACTED] Based on this, the acquisition of the [REDACTED] product line would certainly have been appealing to us, depending upon financial constraints.

82. [REDACTED] later clarified this interest to state that it 'would have been interested in acquiring GVI's [REDACTED] technology but not the product line. It would have liked to buy GVI's design, primarily so as to be able to offer a complete product without having to go through the costly and time-consuming process of developing its own product'. [REDACTED]

83. [REDACTED] is aware of GVI's 'licence relating to its use of another party's software [REDACTED].

84. [REDACTED] admitted that it could not substantiate its interest in GVI's [REDACTED] assets with any documentation of a prior strategy.

85. [X] suggested that it would only have been willing and able to pay a 'minimal' price for the assets.
86. The [X] market is small and niche and, as a result, there are few interested parties in GVI's assets in this market. [X] has the expertise and knowledge to be able to generate value from GVI's business in this market and is a likely bidder, though the value it would have offered is likely to have been small. Given that [X] has also said that it would probably have been interested in these assets in administration, there is likely to have been some competition between it and [X] in finding an ultimate purchaser.

MBO

87. If GVI had failed and gone into administration, one possibility would have been that GVI's second-tier management team might have sought to undertake an MBO of the company. This possibility was put to Simon Meffan-Main (GVI Technical Manager) and Phil Bamforth (GVI Service Manager) who responded:

Yes, possibly a management team might have acquired some lines. But they would have had to raise money and the maximum amount of personal cash possible to raise would have been £150,000 with external funding being required for a larger investment. At the time when Micromass was bought from Thermo, there had been venture capital support and maybe that could happen again. Had there been a liquidation, there might have been renewed discussions with Glenrose [as possible financial backers].

88. Simon Meffan-Main subsequently stated that such an 'MBO would have been interested in all of GVI's product range, with the exception of the GV2003 and Platform ICP'.

89. This management team was familiar both with the technology underlying GVI's products and its customer base. If administration removed many of the risks associated with the business, such as the amounts due to outstanding creditors and potential liabilities to rectify problems with disgruntled customers, new financial backing from Glenrose or another source of funding might have been available. Though this option is unlikely to have been successful, due to the number of factors which would have been required to come together, the potential buyout of either the entire GVI business or some of GVI's assets by an MBO team is a possibility which would have added to the interest in the administrator's sale process.