B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The Company competes for clients in a highly competitive industry.

The communications services industry is highly competitive and fragmented. At the parent company level, the Company’s principal competitors are other large multinational communications services companies, including Omnicom Group (“Omnicom”), the Interpublic Group of Companies (“IPG”), Publicis Groupe (“Publicis”), Grey Advertising, Havas and VNU. The actual competition for clients, however, normally takes place at the operating company level, within the different sectors of Advertising and Media investment management; Information, insight and consultancy; Public relations and public affairs; and Branding and identity, Healthcare, and Specialist communications. The Company’s principal competitors in the advertising and media investment management industries are large multinational agencies, including BBDO Worldwide, Carat, Leo Burnett Worldwide, DDB Worldwide Communications, Foote, Cone & Belding Worldwide, Lowe & Partners Worldwide, Magna Global, Inc., McCann-Erickson Worldwide, Omnicom Media Group (OMG), Saatchi & Saatchi, Starcom MediaVest Group, TBWA Worldwide and Zenith Optimedia, as well as numerous smaller agencies that operate in local markets. The Company’s agencies must compete with other agencies to maintain existing client relationships and to obtain new clients. Principal competitive factors include the agency’s creative reputation, knowledge of media alternatives and purchasing power, geographic coverage and diversity, quality of service and understanding of clients’ needs. Improved global communications and free trade, and more stable, less inflationary worldwide economic growth have contributed to increased competition in the communications services industry. At the same time, however, advertising and marketing services companies are consolidating, diversifying and growing market share through acquisitions.

Clients are not generally bound to an individual agency and may move their accounts to another agency, usually with 90 days notice. Clients may also reduce advertising and marketing budgets at any time and for any reason with no compensation to the agency. Larger clients may use more than one agency for their advertising requirements. In many cases, the Company represents a client for only a portion of its advertising or marketing services needs or only in particular geographic areas thus enabling the client to continually compare the effectiveness of its different agencies’ work. Industry practices in the other communications services businesses reflect similar concerns with respect to client relationships. Despite these circumstances, we believe that there is continued evidence that clients are moving towards the consolidation of their marketing activities.

An agency’s ability to compete for new advertising and marketing services clients and assignments is limited somewhat by the policy followed by many clients of not permitting agencies working for them to represent competing accounts or product lines in the same market. A lesser number of companies will not permit their advertising and/or marketing services firms to work on competing accounts in any market, although, increasingly, converging strategies seem to be reducing the incidence of this impediment. Client conflict policies can and sometimes do prevent our agencies from winning new clients and assignments.

The Company receives a significant portion of its revenues from a limited number of large clients.

A relatively small number of clients contribute a significant percentage of the Company’s consolidated revenues. The Company’s ten largest clients accounted for approximately 26% of revenues in the year ended 31 December 2003. The Company's clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. There can be no assurance that any of the Company's clients will continue to utilise the Company's services to the same extent, or at all, in the future. A significant reduction in advertising and marketing spending by, or the loss of one or more of, the Company's largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect the Company's prospects, business, financial condition and results of operations.

The Company may be subject to certain regulations that could restrict the Company's activities.

From time to time, governments, government agencies and industry self-regulatory bodies in the United States, European Union and other countries in which the Company operates have adopted statutes, regulations and rulings that directly or indirectly affect the form, content and scheduling of advertising, public relations and public affairs, and market research, or otherwise affect the activities of the Company and its clients. For further discussion of such regulations, see the discussion in the Government regulation section under Item 4B. Though the Company does not expect any existing or proposed regulations to materially adversely impact the Company's business, the Company is unable to estimate the effect on its future operations of the application of existing statutes or regulations or the extent or nature of future regulatory action.

The Company is dependent on its employees.

The advertising and marketing services businesses are highly dependent on the talent, creative abilities and technical skills of its personnel and the relationships its personnel have with clients. The Company believes that its operating companies have established reputations in the industry that attract talented personnel. However, the Company, like all service businesses, is vulnerable to adverse consequences from the loss of key employees due to the competition among these businesses for talented personnel.

The Company is exposed to international business risk.

The Company operates in 106 countries throughout the world. Its operations are exposed to the normal business risks and limitations caused by currency fluctuations, exchange control restrictions, restrictions on repatriation of earnings and investment of capital and political instability. In addition, the communications services industry is widely viewed as among the first industry sectors affected by changes in economic cycles. The Company is also subject to governmental and regulatory risks including taxation, nationalisation, inflation and protectionist measures that can affect its international business operations. In addition, the Company is subject to global economic impact from political and social upheaval risks. For details of the effect of the current economic environment on the Group, see the discussion under Item 5.

Future acquisitions, as well as acquisitions already completed, could subject us to a number of risks and/or result in us experiencing significant charges to earnings that may adversely affect our operating results and financial condition.

We regularly review potential acquisitions of businesses that are complementary to our businesses. As part of that review, we conduct business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction. Despite our efforts, we may be unsuccessful in ascertaining or evaluating all such risks and, as a result, we might not realise the intended advantages of any given acquisition. We also must consolidate and integrate any acquired operations with our businesses. These integration efforts can take a significant amount of time, place a strain on our managerial, operational and financial resources and could prove to be more difficult and expensive than we predicted. If we fail to realise the expected benefits from an acquisition, whether as a result of unidentified risks, integration difficulties or otherwise, our business, results of operations and financial condition could be adversely affected.

Goodwill recorded on the Company's balance sheet with respect to acquired companies may become impaired.

The Company has a significant amount of goodwill recorded on its balance sheet with respect to acquired companies. The Company annually tests the carrying value of goodwill for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause the Company to conclude that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Company's financial condition and results of operations.

We may use common stock, incur indebtedness, expend cash or use any combination of common stock, indebtedness and cash for all or part of the consideration to be paid in future acquisitions that would result in additional goodwill being recorded on the Company's balance sheet.