
BRAZIN LIMITED

STATEMENT TO AUSTRALIAN STOCK EXCHANGE AND NEWS MEDIA

1. BAIN INTERNATIONAL APPOINTED TO CONDUCT A STRATEGIC REVIEW
 2. APPOINTMENT OF NEW GENERAL MANAGER TO SANITY AUSTRALIA
 3. RESOLUTION OF VIRGIN ENTERTAINMENT LIMITED LEGAL ACTION
 4. UPDATE ON PRIVATISATION PROPOSAL BY YODA HOLDINGS PTY LTD
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Bain International Inc. (**Bain**) was appointed last month to conduct a strategic review of the company's businesses in Australia and United Kingdom. As part of the review, Bain will evaluate growth strategies to build on the company's core competencies. Bain will provide its final report to the board in mid August 2003.

1. Bain Review – summary of progress report

Bain has provided the board with a progress report on work performed to date. As a result, the directors have formed views about certain actions to be taken in the short term.

1. The intimate apparel sector, while mature, offers consistent consumer demands and has the potential for further growth. BNT (formerly Bras N Things) is well positioned for geographic growth as well as further expansion of its market share through enhanced retail services.
2. It is clear that the international and Australian music markets have contracted over the past two years. Internationally, key drivers for the downturn have been the opening up of new channel competition from Discount Department Stores and Supermarkets while the movement to direct digital download is impacting market volume. Growth in the DVD market has counter-balanced the declining music market. This trend will see further music market contraction over the next 10 years requiring music retailers to radically shift product mix towards DVDs. As a result, Sanity's mix of business will continue to change markedly with DVDs taking significant share of the company's sales from music CDs.
 - a. Sanity Entertainment Australia has a 25% share of the Australian music market. Changes to the existing business model have been made over the past twelve months and Sanity has initiated major management and product range changes to grow its share of the DVD business. More changes of this nature will be required to be implemented in the 2004 year.

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- b. Sanity UK has a 2% share of the UK music market and is a niche specialist retailer. Our small market share has restricted our ability to negotiate improved trading terms with suppliers. The original strategy in acquiring the stores from Virgin was to roll out additional stores to increase market share. In light of the foreseeable market conditions, this strategy is no longer appropriate.
 3. Costs saving be implemented. A project-based programme is being implemented by the board in response to Bain's initial recommendations. This will enable the operations of Sanity Entertainment Australia to reduce its costs by \$7 million by June, 2004.
 4. Closure or conversion of marginally performing stores within Sanity Entertainment Australia group. With a strong focus on restoring profitability for Sanity Entertainment Australia in 2004, marginal stores (IN2 Music and Sanity Music) will be closed or converted into DVD stores during the forthcoming financial year. Around 100 stores will be reviewed. Restructure costs of \$7 million will be taken up as a significant item at 30 June 2003.
 5. Rationalisation of Sanity Entertainment (UK) stores is to be accelerated. The team at Sanity Entertainment (UK) has performed well in restructuring the acquired business. With the prospect of further contraction in the UK music market in the foreseeable future, the rationalisation of the stores acquired in 2001 and 2002 will be accelerated. Marginal stores will be closed or their use converted from retailing of music to other retailing concepts such as lingerie, footwear and surfwear. Where a store is incapable of alternate use, the lease will be sold or handed back to the landlord. Closure costs, where applicable, will be charged against the provision for restructure previously set up with the acquisition of stores from Virgin.

2. Appointment of new General Manager – Sanity Entertainment Australia

The company has appointed Mr Matthew McCarthy as General Manager of Sanity Entertainment Australia from 25 June 2003. Mr McCarthy was previously the General Manager of Sunglass Hut group and was the General Manager of the Grace Bros store at Sydney Central.

3. Virgin Entertainment Limited - legal action resolved

Subject to final documentation, the outstanding legal matter with Virgin has been satisfactorily resolved. As part of the overall settlement, Sanity UK has reduced its profit warranty claim for the months of October 2002 to January 2003 by A\$960,000 (stg375,000). As the January 2003 profit warranty claim was not previously taken up in the company's accounts, the impact on the previously announced profit warranty claim of \$3.7 million to December 2002 would not be material. Virgin has agreed to reduce its license fees payable by Sanity Entertainment Australia. Virgin has also consented to cancel 2.25 million (out of a total of 3.75 million) of the share options previously issued to it by Brazin.

4. Yoda Holdings Pty Limited – update on selective capital reduction proposal

A previously reported, a committee of disinterested directors has been considering a proposal by Mr Brett Blundy's company, Yoda Holdings Pty Limited, to privatise the company by implementing a selective capital reduction of minority shareholdings at a price of 78c per share. Given that the company is in the midst of a strategic review and that material decisions have been made about the company's future, it is not appropriate at this time to take a final view on value.

Now that the strategic review by Bain is close to completion, an independent expert can be meaningfully engaged to assist the committee of disinterested directors with its deliberations. The committee will report back to shareholders as soon as it is able to.

As previously stated, the committee recommends that shareholders not make an investment decision without first obtaining professional advice.

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