

Company Registered Number: 2992058

S R PHARMA PLC
RESULTS FOR THE YEAR ENDED
31 DECEMBER 2004

CHAIRMAN'S STATEMENT

Dear Shareholder,

This has been an extremely challenging year for the Company with inconclusive clinical trial results being announced for SRP 299 in both allergic asthma and atopic dermatitis indications. In addition, last summer, there were a number of changes in senior personnel, including the departure of the CEO, which inevitably led to some internal disruption.

In response to these events the Board implemented a number of initiatives to ensure financial stability and provide a base from which we can broaden and develop the Company's core technology portfolio over the long term. These initiatives included moving the Company's LSE listing from the Main Market to the AIM Market, reducing the ongoing cost base and seeking to conclude one or more corporate transactions by mid 2005. The overriding objective remains that of strengthening the financial basis of the Company and reducing the overall risk profile of the Company by broadening the product, technology and intellectual property base.

Scientifically the Company has made significant progress during the year with the filing of a patent for a new chemical entity and in liaison with Sakai undertaking further work on the mechanism of action and delivery of M.vaccae. Deficiencies in our manufacturing processes were identified and in light of the new European Directive on the manufacturing of clinical trial supplies corrective action has been identified.

In terms of M&A activity the Board has held discussions with a variety of public and private companies both here in the UK and Europe. In November 2004 we announced that we were in late stage discussions with a target company but on 3 May 2005 the Board announced that it had decided to terminate these discussions and would concentrate on progressing an alternative transaction with a European biotechnology company which we believed would provide greater technical and commercial synergies and sound basis for raising further significant funding to enable the development of the combined product portfolio and to secure further possible acquisitions.

At the time of writing this statement M&A negotiations are ongoing and it is anticipated that further announcements will be made at or before the forthcoming AGM on 30 June 2005.

In order to take account of business opportunities the Directors wish to have a degree of flexibility in the issue of shares whether or not such issues are made for cash and accordingly the resolutions being put to the AGM relate to 100 million shares. The Directors recognise that these amounts are significant in relation to the Company's current issued share capital, but believe that authorities in these terms would be in the best interests of the Company and enable the Directors to conclude transactions on the best available terms with the minimum of delay.

I look forward to updating you further over the coming weeks and remain confident that an exciting corporate transaction will be concluded. I would like to thank the staff and shareholders for their continued support.

Iain G Ross
Chairman

SR PHARMA PLC**CONSOLIDATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31ST DECEMBER 2004**

	2004	2003
	£	£
Turnover	159,211	1,344,585
Research and development direct costs	(1,697,509)	(3,012,324)
Gross Loss	(1,538,298)	(1,667,739)
Administrative expenses	(1,788,061)	(1,004,930)
Operating Loss	(3,326,359)	(2,672,669)
Interest received	133,513	215,563
Loss for the year before taxation	(3,192,846)	(2,457,106)
Taxation credit for the year	350,255	176,948
Retained loss for the year after taxation transferred from reserves	(2,842,591)	(2,280,158)
	=====	=====
Loss per share	11.91p	9.56p
	=====	=====

All transactions arose from continuing activities.

There were no recognised gains or losses other than the loss for the year.

SR PHARMA PLC

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2004

	2004	2003
	£	£
Fixed assets		
Tangible fixed assets	39,950	59,860
	=====	=====
Current assets		
Debtors	518,370	1,336,081
Cash at bank	2,632,002	5,092,751
	=====	=====
	3,150,372	6,428,832
Creditors: amounts falling due within one year	(513,911)	(1,306,380)
		=====
Net current assets	2,636,461	5,122,452
	=====	=====
Total assets less current liabilities	2,676,411	5,182,312
Creditors: amounts falling due after one year	(331,940)	-
		=====
Net assets	2,344,471	5,182,312
	=====	=====
Share capital	238,857	238,607
Share premium account	19,983,303	19,978,803
Merger reserve	183,916	183,916
Profit and loss account	(18,061,605)	(15,219,014)
	=====	=====
Equity Shareholders' funds	2,344,471	5,182,312
	=====	=====

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2004

	2004	2003
	£	£
Net cash outflow from operating activities	(2,718,118)	(2,544,766)
Return on investments and servicing of finance		
Interest received	133,513	215,563
Taxation received	237,375	293,653
Capital expenditure		
Payment to acquire tangible fixed assets	(18,769)	(31,151)
Sale of tangible fixed assets	500	50
Net cash outflow before use of liquid resources and financing	(2,365,499)	(2,066,651)
Management of liquid resources		
Cash released from/(transferred to) liquid resources	241,937	(11,764)
Financing		
Issue of shares in the year	4,750	-
Loans made in the year	(100,000)	-
Decrease in cash balances	(2,218,812)	(2,078,415)
	=====	=====
Reconciliation of Operating Loss to		
Net operating cash flows	£	£
Operating loss	(3,326,359)	(2,672,669)
Depreciation charges	37,623	43,582
Loss on sale of fixed assets	556	121
Decrease/(increase) in debtors	943,886	(107,601)
(Decrease)/increase in creditors	(373,824)	191,801
Net cash outflow from operating activities	(2,718,118)	(2,544,766)
	=====	=====

SR PHARMA PLC

NOTES

1. The above financial information does not constitute statutory accounts within the meaning of Section 240, Companies Act 1985.
2. Information relating to the year ended 31 December 2004 has been extracted from the statutory accounts of the Group which have been audited by the Group's auditors Grant Thornton UK LLP and whose report thereon is unqualified. The statutory accounts are being sent to shareholders shortly and will be delivered to Companies House in due course. The information relating to the year ended 31 December 2003 is extracted from the audited accounts of the Group which have been filed at Companies House and on which the auditors issued an unqualified opinion.
3. The above information has been prepared using the accounting policies set out in the most recently published full accounts and which have not changed since the previous period (for the year ended 31 December 2003).
4. Loss per share is based on the loss for the financial year after taxation of £2,842,591 (2003: loss £2,280,158) and on the weighted average of 23,872,872 (2003: 23,860,714) ordinary shares in issue during the year. The options outstanding at 31 December 2004 and 31 December 2003 are considered to be non-dilutive in that their conversion into ordinary shares would not increase the net loss per share. Consequently, there is no diluted earnings per share to report for either year.
5. The credit for UK Corporation Tax arises from the Group taking advantage of the legislation regarding the treatment and surrender of tax losses arising from certain qualifying research and development expenditure.
6. The directors are not proposing the payment of a dividend.
7. Analysis of changes in Net Funds

	At 1 January	Cash	At 31 December
Cash at bank	2004	Flows	2004
	£	£	£
Instant access accounts	4,048,927	(2,218,812)	1,830,115
Deposits	1,043,824	(241,937)	801,887
Total	5,092,751	(2,460,749)	2,632,002
	=====	=====	=====

The deposits held at bank are treated as liquid resources under the definitions of Financial Reporting Standard 1 (revised). Although the sums are held on short term fixed rate deposit, they are not instantly available to the Group without breaking the terms of the deposit which may incur penalties.