FOR IMMEDIATE RELEASE April 27, 2011

HMS GROUP ANNOUNCES FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

Moscow, Russia – April 27, 2011 – HMS Group plc (the "Group") (LSE: HMSG), the leading pump manufacturer and provider of flow control solutions and related services in Russia and the CIS, today announces its audited IFRS financial results for the twelve months ended December 31, 2010.

FULL YEAR HIGHLIGHTS

(Figures in brackets are for the twelve months ended December 31, 2009)

- **Order backlog doubled year-on-year to RUB 19.8 billion (RUB 9.5 billion) reflecting continued strong demand[1]**
- **Revenues up 56.2% year-on-year to RUB 23.1 billion (RUB 14.8 billion)**
- **Adjusted EBITDA[2] up 86% year-on-year to RUB 3.5 billion (RUB 1.9 billion), with an adjusted EBITDA margin of 15.3% (12.8%)**
- **EBIT more than doubled year-on-year to RUB 3.0 billion (RUB 1.3 billion), with an EBIT margin of 13.1% (8.8%)**
- **Robust year-on-year increase in Profit for the year to RUB 1.6 billion**
- **Operating cash flow increased to RUB 3.6 billion (cash outflow of RUB 211.4 million)**
- **Positive free cash flow of RUB 283 million despite significant M&A activity**
- **Net debt decreased by 6.0% to RUB 4.3 billion as of December 31, 2010 (RUB 4.6 billion)**

Artem Molchanov, Managing Director (CEO) of HMS Group, commented:

"2010 has been a transformational period for the Group with major corporate activity and the delivery of high growth across our businesses.

In 2010, the Company has transformed itself, so HMS Group is now well placed to provide the high-end technologies which our customers demand for the design and for the production of modern equipment and integrated solutions. It is for this reason that we were chosen by major Russian companies, including Transneft, Rosneft, TNK-BP, LUKOIL, Surgutneftegaz,

[1] Here and below, the Group's backlog is non-IFRS measure

[2] The Group defines Adjusted EBITDA as operating profit/loss adjusted for other operating expenses (net), excess of fair value of net assets acquired over the cost of acquisition, impairment of goodwill, impairment of property, plant and equipment and intangible assets, depreciation and amortisation, provision for impairment of accounts receivable, provision for obsolete inventories, warranty provision, provision for VAT receivable, provision for legal claims, defined benefits scheme expense/(income) and unused vacation allowance. The adjusted EBITDA is non-IFRS measure

Gazprom, Rosatom, Inter RAO UES, Power Machines and Mosvodokanal. We have made substantial investments into production technologies and testing facilities thus securing our strong market position for years to come.

Within several years HMS Group has developed from a plain trading company into one of the largest supplier of integrated pump-based solutions in Russian and the CIS markets. The scale and complexity of the projects completed in 2010 and the expertise and market positions of M&A targets are the best proof of the Company's commitment to the strategy of sustainable growth to build shareholder value.

To illustrate the potential growth in the coming period it is worth mentioning some of the projects from 2010 which show our experience at solving technically demanding and high-profile tasks as these successes will be the platform for future growth.

Firstly, the development of our cooperation with Transneft, the national oil pipelines operator, designing and supplying oil pump stations and a whole new range of trunk pipeline pump systems.

In addition, we supplied the major part of the technological modules for the giant Vankor oil field of Rosneft. At Rosneft's Komsomolskoye oil field we have completed the bulk of compressor station construction and at Yuganskneftegaz, we have completed an upgrade project of 24 water injection pumps. We have completed a large project for TNK-BP at the Kalchinskoye oil field, having constructed an oil pump station and at Gazpromneft's Urmanskoye oil field, as well as created the field's infrastructure and commenced the work at the Shinginskoye oil field.

We also completed the construction of a water-lifting pump station at the Yylgynagyz water channel in Lebap province of the Republic of Turkmenistan.

We supplied the feed and circulation pumps to Power Machines and power generation equipment for the Kalinin nuclear power plant.

Major orders came from leading power generation companies, such as TGK-1, TGK-10, TGK-11. Under the contract with TGK-11, we supplied six high capacity D12500-24 pumps to be installed in circulation water lift station at the one of the Omsk power plants.

One of the key events of the year was the acquisition of the controlling stake in Giprotyumenneftegaz (GTNG). The integration of the largest independent oil fields design centre into the Group multiplies our capacities in managing large-scale and technically challenging projects for our customers in the oil industry. GTNG was a major acquisition and has increased HMS' presence in the development of oil and gas fields in the vital area of design which is complementary to our core business. Demand in our underlying core business remains strong and the order backlog shows that, at the present, demand continues to outstrip supply and gives strong support to market pricing.

Since the year end, we have raised funds in an initial public offering on the London Stock Exchange and paid down debt so that the Company is now in a good financial position and well placed to grow in a strong market for our products, as well as ready to explore further new M&A opportunities. The outlook for our core markets is promising and we see prospects for greater investments across the sector."

KEY DEVELOPMENTS IN 2010

- Acquired a 51.0% stake in GTNG, a leading independent Russian project and design centre specialising in the design of oil and gas fields, for a cash consideration of RUB 2,467 million;

- Successfully completed two milestone projects in Russia and Turkmenistan: the delivery of 'superblock' modular equipment to OJSC Rosneft for the first stage of the development of the Vankor oil field and the construction of a water-lifting pumping station at the Yylgynagyz water channel in Lebap province of the Republic of Turkmenistan;

- Secured several large infrastructure contracts for the full range of work including design, manufacturing and equipment testing, as well as the procurement of equipment from multiple suppliers and the supervision of equipment assembly and the start-up and commissioning of 48 pumping units for oil transportation;

- GTNG, the new acquired business, secured several contracts, including a contract for the development of Priobsk oil and gas field, one of the largest Russian oil fields located in Khanty-Mansiysk region of Western Siberia; a contract for the development of Prirazlomnoe oil field in Yamal region;

- GTNG signed also a new contract with Transneft's leading design facility, to design an oil pipeline from Zapolyarye to the Pur-Pe oil pumping station.

R&D activities

- Further developed our cooperation with Transneft - designed and offered several new types of pumping equipment for various applications, including oil transportation pumping system for ESPO oil pipelines based on a newly designed NM-10000 pump and with modern and the most sophisticated types of auxiliary equipment;

- New types of booster pumps and oil leakage drain pumps for Transneft to be utilised at ESPO pipeline pumping stations;

- New boiler feed pumps for nuclear power generation PA-1840 for Leningrad and Volgodons NPPs;

- New boiler feed pumps PE-240 and PE-315 for thermal power generation;

- 2ECV water borehole pump – the pump features a new canned electric motor, a design feature, never previously applied to the ECV pumps of our manufacturing, and highly demanded by the market. ECV pump is the most popular product for water works in the Company's product range.

Operational improvements

- Completed the process of certification of the Group production facilities under ISO 9001:2008;

- Implementation of IT and telecommunication infrastructure, development of IT security system for the head office;

- Completion of 1C8 unified accounting software roll-out for groups' major companies;

- Launch of a pilot ERP project based on Infor-LN software which is integrated with companies' CAD software for R&D support.

FINANCIAL SUMMARY

(*RUB million*)	**FY 2010**	**FY 2009**	**Year on Year Change**
Revenues	23,070	14,772	*56.2%*
Adjusted EBITDA	3,519	1,890	*86.2%*
EBIT	3,027	1,298	*133.1%*
Profit for the year	1,581	70	*2,155.6%*
Basic and diluted earnings per share (RR per share)	14.32	(0.03)	-
ROCE	36.2%	18.1%	*1,825 bps*

OPERATING REVIEW

Group

HMS Group's consolidated revenues increased by 56.2% year-on-year for the full year in 2010, primarily as a result of a significant increase in the number and scale of pump-based integrated solutions contracts and the consolidation of GTNG in June. The increase in revenues from pump-based integrated solutions contracts was mainly driven by a general increase in activity in the oil field development as well as energy and water markets in 2010. The organic year-on-year revenue growth for 2010, excluding the acquisition of GTNG, was 46.8% and amounted to RUB 21,689 million. The Group's results in 2010 reflected strong performance in its industrial pumps business unit, largely driven by large-scale projects with Transneft and Rosatom. The industrial pumps business unit accounted for approximately 46.4% of total Group's consolidated revenue in 2010, while the modular equipment business unit and EPC accounted for 25.2% and 26.6%, respectively.

The order backlog doubled year-on-year to RUB 19.8 billion in 2010, including a RUB 1.3 billion order backlog acquired from GTNG. Organic backlog growth, excluding the acquisition of GTNG, was up 94.8% year-on-year.

General and administrative expenses increased by 15.1% year-on-year to RUB 2,103 million for the full year 2010, mainly due to an increase in the scale of HMS Group's activities. The general and administrative expenses did however decrease as a percentage of revenues.

The Group's adjusted EBITDA increased by 86.2% year-on-year to RUB 3,519 million in 2010, due to the impact of large high-margin infrastructure contracts in oil transportation, improvements in operational efficiency, the consolidation of GTNG, and strong revenue growth across all the Group's business units. This resulted in an increase in the Group's adjusted EBITDA margin to 15.3% in 2010, compared to 12.8% in 2009.

HMS Group's cost of sales increased by 55.6% year-on-year to RUB 17,367 million in 2010 compared to RUB 11,164 million in 2009, mainly due to the increase in supplies, raw materials and labour costs as well as the consolidation of GTNG.

The Group's EBIT more than doubled year-on-year in 2010, as a result of the above mentioned factors. The EBIT margin increased to 13.1% in the reporting period from 8.8% in 2009.

The Group's profit for the year increased by more than 20 times year-on-year to RUB 1,581 million in 2010. Strong demand and favourable market conditions, improvements in operating performance and lower interest rates are the key contributing factors for the substantial increase in full year profits. The lower profit for the year base for 2009 was the result of a significant goodwill write-off, which has also contributed to the significant increase in profit for the year during 2010.

Industrial Pumps Business Unit

The industrial pumps business unit designs, engineers, manufactures and supplies a diverse range of pumps and integrated solutions to customers in the oil and gas, power generation and water utility sectors in Russia, the CIS and internationally. The business unit's principal products include ready-made pumps built to standard specifications, customised pumps and pump equipment and integrated pump systems. It also provides aftermarket sales, maintenance and repair services and other support for its products.

The industrial pumps business unit demonstrated 69.8% year-on-year revenue growth in the reporting period, generating RUB 10,712 million. This revenue growth largely resulted from a number of large-scale projects with major customers in oil transportation and upstream segments, increasing demand for integrated pumping solutions, as well as positive market trends.

Sales of oil transportation pumps and pumps for water injection in 2010 were up 339.0%[3] and 9.0% year-on-year, respectively, mainly due to a number of contracts with the key customers, including Transneft, TNK-BP, Rosneft, Lukoil and Surgutneftegaz.

Sales of pumps for thermal power generation applications grew by 85.0% year-on-year. The growth reflected the construction of new thermal power generation stations in Russia and the modernisation of the existing ones. At the same time, sales of pumps for nuclear power generation decreased by 56.0% year-on-year. The decrease is primarily attributable to a long-term cycle of nuclear pumps production, which means that significant share of revenue from current nuclear pumps backlog will be recognized at 2011.

Sales in the water utilities segment increased by 37.0% year-on-year. This segment demonstrated 70.0% year-on-year growth in water supply and wastewater pumps and 23.7% year-on-year increase in submersible water well pumps, following a replacement of depreciated installed base for the pumps in Russia. Also the commencement of several government regional programmes

[3] Here and below, all inter-segmental sales are non-IFRS measure

to reconstruct water treatment and supply systems, including Chistaya Voda programme (Clear Water), Chistiy Don (Clear Don), reconstruction of water treatment systems of Rostov region. Sales of household pumps were up 18.4%, largely due to growing purchasing power of end consumers as a result of a market recovery.

The industrial pumps business unit's adjusted EBITDA more than doubled year-on-year to RUB 2,367 million in 2010, compared to RUB 1,012 million in 2009, as a result of an increase in the number of high-margin contracts, as well as improved operational performance and market recovery overall. The adjusted EBITDA margin increased to 22.1% in 2010 from 16.0% in 2009.

Modular Equipment Business Unit

The modular equipment business unit manufactures and installs modular pumping stations, automated metering equipment, oil, gas and water processing and preparation units and other equipment and systems for use primarily in oil extraction and transportation, as well as for the water utility sector. The unit's products are equipment packages and systems installed inside a self-contained, free-standing structure which can be transported on trailers and delivered to and installed on the customer's site as a modular but fully integrated part of the customer's operations.

Sales were up 39.3% year-on-year and totalled RUB 5,805 million in 2010, compared to RUB 4,166 million in 2009. The increase was primarily driven by strong demand to equip new oil fields and modernise existing ones.

Sales of water injection pumping stations and other large technological units increased by 69.0%, as a result of increased sales to large-scale projects, including Rosneft's Vankor oil field. In 2010, the modular equipment business unit generated 18.0% year-on-year increase in sales of automated group metering units (AGMU) and other modular equipment for gas transportation, mainly due to new government regulations, requiring oil companies to install metering devises to measure volumes of gas flared.

The unit's adjusted EBITDA decreased by 23.8% year-on-year to RUB 599 million in 2010, compared to RUB 786 million in 2009. The adjusted EBITDA margin also decreased to 10.3% in the reporting period from 18.9% in 2009. The decline primarily resulted from an execution of low-margin contracts, which were completed in 2009. Less investment into new greenfield projects meant there was lower demand for modular equipment and lower pricing for the existing contracts, and this impacted the adjusted EBITDA margin in 2010.

Engineering, Procurement and Construction (EPC) Business Unit

The engineering, procurement and construction (EPC) business unit designs, engineers, project manages and constructs projects, including on a turn-key basis, for customers in the upstream oil and gas, oil transportation and water utility sectors.

The EPC's revenues increased by 46.5% year-on-year to RUB 6,135 million in 2010, compared to RUB 4,189 million in 2009, following the consolidation of GTNG and entering the market for project and design works, which accounted for approximately 23.0% of the unit's consolidated revenue.

Adjusted revenue, excluding an effect of the GNTG acquisition, increased by approximately 14% year-on-year in 2010, reflecting a growing demand for construction services at new and existing oil and gas fields from Rosneft, Gazpromneft and TNK-BP oil companies.

The adjusted EBITDA grew by more than 15 times year-on-year in 2010 and amounted to RUB 550 million, compared to RUB 33 million in 2009. GTNG contributed RUB 271 million to the unit's consolidated adjusted EBITDA. Such a significant adjusted EBITDA growth was primarily due to a low adjusted EBITDA in 2009, caused by a large fall in investment by oil companies, followed by delays in payment and terminations of existing contracts. The adjusted EBITDA margin increased to 9.0% in the reporting period from 0.8% in 2009.

FINANCIAL REVIEW

Net cash from operating activities in 2010 increased to RUB 3,575 million, compared to net cash outflow of RUB 211.4 million in 2009, as a result of improvements in working capital and an increase in profitability.

Net cash used for investing activities totalled RUB 3,292 million in 2010, compared to RUB 508.9 million in 2009, largely due to the acquisition of GTNG. The Group spent RUB 950 million on capital expenditure, compared to RUB 192 million spent in 2009. The Group paid RUB 2.9 billion for the acquisition of businesses in 2010, the major part of that being the purchase of GNTG.

Despite the acquisition of GNTG, our free cash flow remained positive and stood at RUB 283 million. As the result, we decreased our total debt and the net debt/adjusted EBITDA ratio is only 1.2 times for 2010, compared to 2.4 in 2009.

The Group's cash balances stood at RUB 351.1 million as of December 31, 2010, compared to RUB 758.1 million as of December 31, 2009. The Group's net debt (short-term and long-term debt and short-term and long-term finance lease liabilities less cash and cash equivalents) amounted to RUB 4,297 million as of December 31, 2010, compared to RUB 4,573 million as of December 31, 2009.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

In February 2011, the HMS Group raised proceeds of US$ 116.5 million from its initial public offering on the London Stock Exchange.

In March 2011, the HMS Group repaid its outstanding debt of RUB 3.3 billion using its net proceeds from the IPO.

OUTLOOK FOR 2011

The current visibility of our order backlog for 2011 and strong market fundamentals indicate that the Group can expect to report a strong increase in Group revenues and adjusted EBITDA.

Conference call information

HMS Group's management will host a conference call today at 9 am (New York) / 2 pm (London time) / 3 pm (CEST) / 5 pm (Moscow Time) to present and discuss the full year results.

The dial-in numbers for the conference call are:

UK/ International: +44 20 8515 2302
US: +1 480 629 9738
Russia: +7 495 580 9543
The management's slide presentation will be posted at HMS Group's website in the Management Presentations section today at 7 am (New York) / 12 pm (London) / 1 pm (CEST) / 3 pm (Moscow).

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The HMS Group is the leading pump manufacturer and provider of flow control solutions and related services to the oil and gas, nuclear and thermal power generation and water utilities sectors in Russia and the CIS. The HMS Group's products are mission-critical elements of projects across a diverse range of industries. It has participated in a number of large-scale infrastructure projects in Russia, including providing pumps and modular equipment to the Vankor oil field and pumping stations on recent trunk pipelines projects linking Russia's core oil producing areas to export ports on the Pacific Ocean and Baltic Sea. The Group reported revenues of RUB 23.1 billion, adjusted EBITDA of RUB 3.5 billion and profit for the year of RUB 1.6 billion for the full year of 2010. The HMS Group's global depositary receipts ("GDRs") are listed under the symbol "HMSG" on the London Stock Exchange.

The forward-looking statements contained herein are based upon various assumptions, many of which are based, in turn, upon further assumptions, which may include without limitation, the HMS Group's examination of historical operating trends, data contained in the HMS Group's records and other data available from third parties. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The HMS Group does not intend to provide any representation or warranty and does not assume any obligation to update any forward-looking statement contained herein.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

(in thousands of Russian Roubles, unless otherwise stated)

	2010	2009
Revenue	23,070,014	14,772,269
Cost of sales	(17,367,404)	(11,164,202)
Gross profit	**5,702,610**	**3,608,067**
Distribution and transportation expenses	(573,198)	(482,576)
General and administrative expenses	(2,102,642)	(1,827,189)
Other operating expenses, net	(112,149)	(97,679)
Impairment of goodwill	-	(116,998)
Operating profit	**2,914,621**	**1,083,625**
Finance income	57,089	46,806
Finance costs	(823,391)	(865,141)
Share of results of associates	15,108	17,193
Profit before income tax	**2,163,427**	**282,483**
Income tax expense	(582,299)	(212,386)
Profit for the year	**1,581,128**	**70,097**
Profit/(loss) attributable to:		
Shareholders of the Company	1,469,116	(31,821)
Non-controlling interest	112,012	101,918
Profit for the year	**1,581,128**	**70,097**
Currency translation differences	(85,899)	(70,502)
Currency translation differences of associates	1,540	1,283
Other comprehensive loss for the year	**(84,359)**	**(69,219)**
Total comprehensive income for the year	**1,496,769**	**878**
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	1,402,382	(76,930)
Non-controlling interest	94,387	77,808
Total comprehensive income for the year	**1,496,769**	**878**
Basic and diluted earnings per ordinary share for profit/(loss) attributable to the ordinary shareholders	**14.32**	**(0.03)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2010 AND 2009
(in thousands of Russian Roubles, unless otherwise stated)

	31 December 2010	31 December 2009
ASSETS		
Non-current assets:		
Property, plant and equipment	5,948,674	3,954,807
Other intangible assets	310,156	47,109
Goodwill	1,783,915	306,992
Investments in associates	507,141	507,293
Deferred income tax assets	130,779	53,992
Other long-term receivables	27,123	61,362
Total non-current assets	**8,707,788**	**4,931,555**
Current assets:		
Inventories	2,840,745	3,179,644
Trade and other receivables and other financial assets	10,399,853	2,778,048
Current income tax receivable	38,086	58,016
Prepaid expenses	39,361	36,213
Cash and cash equivalents	351,086	758,127
Restricted cash	4,978	905
	13,674,109	**6,810,953**
Non-current assets held for sale	96,095	-
Total current assets	**13,770,204**	**6,810,953**
TOTAL ASSETS	**22,477,992**	**11,742,508**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	42,510	36,154
Share premium	210,862	210,862
Share capital to be issued	-	6,356
Currency translation reserve	(234,785)	(168,051)
Retained earnings	2,897,296	1,480,712
Other reserves	38,987	37,035
Equity attributable to the shareholders of the Company	**2,954,870**	**1,603,068**
Non-controlling interest	**1,508,263**	**669,631**
TOTAL EQUITY	**4,463,133**	**2,272,699**
LIABILITIES		
Non-current liabilities:		
Long-term borrowings	3,864,176	3,429,475
Finance lease liability	9	8,479
Deferred income tax liability	745,762	197,307
Pension liability	262,525	125,407
Provisions for liabilities and charges	35,691	11,550
Total non-current liabilities	**4,908,163**	**3,772,218**
Current liabilities:		
Trade and other payables	10,799,358	3,255,533
Short-term borrowings	775,242	1,879,914
Provisions for liabilities and charges	312,213	209,760
Finance lease liability	8,446	13,094
Pension liability	24,736	20,922
Current income tax payable	115,340	25,069
Other taxes payable	1,071,361	293,299
Total current liabilities	**13,106,696**	**5,697,591**
TOTAL LIABILITIES	**18,014,859**	**9,469,809**
TOTAL EQUITY AND LIABILITIES	**22,477,992**	**11,742,508**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

(Amounts in thousands of Russian Roubles, unless otherwise stated)

	2010	2009
Cash flows from operating activities		
Profit before income tax	2,163,427	282,483
Adjustments for:		
Depreciation and amortisation	449,776	343,987
Loss from disposal of property, plant and equipment and intangible assets	938	2,305
Finance income	(57,089)	(42,790)
Finance costs	818,773	865,141
Pension expenses/(income)	33,808	17,673
Warranty provision	51,109	18,150
Write-off of receivables	23,931	-
Interest expense related to construction contracts	17,408	14,953
Provision for impairment of accounts receivable	(13,023)	69,559
Impairment of taxes receivable	10,052	-
Investments impairment provision	(1,338)	6,099
Provision for obsolete inventories	(107,634)	95,949
Foreign exchange translation differences	4,618	(4,016)
Provision for VAT receivable	(10,887)	29,918
Provisions for legal claims	34,073	13,655
Share of results of associates	(15,108)	(17,193)
Impairment of goodwill	-	116,998
Impairment of property, plant and equipment and intangible assets	19,288	13,848
Loss on disposal of subsidiaries	4,360	-
Other non-cash items	(646)	(18,861)
Operating cash flows before working capital changes	**3,425,836**	**1,807,858**
Decrease/(increase) in inventories	452,945	(810,442)
(Increase)/decrease in trade and other receivables	(6,921,060)	34,526
Increase/(decrease) in taxes payable	674,369	(9,530)
Increase/(decrease) in accounts payable and accrued liabilities	7,063,530	(71,350)
Restricted cash	(4,073)	(285)
Cash generated from operations	**4,691,547**	**950,777**
Income tax paid	(277,738)	(286,395)
Interest paid	(838,533)	(875,750)
Net cash from/(used in) operating activities	**3,575,276**	**(211,368)**
Cash flows from investing activities		
Repayment of loans advanced	3,139	122,476
Loans advanced	(5,498)	(108,139)
Proceeds from sale of property, plant and equipment and intangible assets	24,585	1,775
Interest received	56	39,352
Dividends received	16,800	10,313
Purchase of property, plant and equipment	(950,275)	(192,365)
Acquisition of associates	-	(122,756)
Acquisitions of subsidiaries, net of cash acquired	(2,339,457)	(239,806)
Proceeds from disposal of subsidiaries, net of cash disposed	7,475	-
Acquisition of intangible assets	(48,681)	(19,741)
Net cash used in investing activities	**(3,291,856)**	**(508,891)**
Cash flows from financing activities		
Repayments of borrowings	(9,034,047)	(5,571,316)
Proceeds from borrowings	8,800,148	6,775,593
Payment for finance lease	(12,663)	(19,971)
Acquisition of non-controlling interest in subsidiaries	(578,844)	(208,799)
Expenses related to share issue	(58,049)	-
Cash received from capital contribution	85,817	-
Cash received from additional share issue of subsidiary	428,420	-
Dividends paid to non-controlling shareholders of subsidiaries	(320,458)	(160,009)
Net cash (used in)/from financing activities	**(689,676)**	**815,498**
Net (decrease)/increase in cash and cash equivalents	**(406,256)**	**95,239**
Effect of exchange rate changes on cash and cash equivalents	**(785)**	**(6,594)**
Cash and cash equivalents at the beginning of the year	**758,127**	**669,482**
Cash and cash equivalents at the end of the year	**351,086**	**758,127**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

These consolidated financial statements for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, under the historical cost convention as modified by initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

During 2010, the parent company of HMS Group has changed from HMS Group OJSC to HMS Hydraulic Machines & Systems Group plc. The IFRS consolidated balance sheet at 31 December 2010 has been prepared using a predecessor accounting method. The assets and liabilities of HMS Group's subsidiaries were recorded in these consolidated financial statements at their pre-restructuring IFRS carrying amounts. The share capital and share premium are presented to provide useful information to the users of the financial statement about the share capital of the new parent using the predecessor basis as of 1 January 2009. The difference between the predecessor value of share capital and the value of the Company's share capital and share premium was recorded as an adjustment in retained earnings. Also, the difference between the predecessor value of other reserves and the value of other reserves of the restructured Group was recorded as an adjustment in retained earnings.