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SPECIFIC ASPECTS OF PREPARATION OF SEGMENTAL CASH FLOW STATEMENTS OF REGIONAL ELECTRIC NETWORKS ENTERPRISES ON THE BASIS OF INTERNATIONAL STANDARDS

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Abstract

In this thesis, a segment cash flow statement model has been developed for JSC "Regional Electric Networks" and its 14 structural divisions in accordance with IFRS 8 "Operating Segments".

Keywords: segment reporting, IFRS 8, cash flows, reportable segment, internal flow elimination, IFRS 10, IAS 27, HET JSC, natural monopoly, territorial divisions.

"Regional Electric Networks" JSC is the main enterprise in the electricity distribution network of the Republic of Uzbekistan. It consists of There are 14 structural divisions (2 regional JSCs + 12 regional branches), which differ significantly from each other in terms of tariffs, consumer categories, investment plans and financial indicators. Therefore, the presentation of the financial statements of the JSC "HET" in a single consolidated form is not sufficient for subsequent management decisions. The Law of the Republic of Uzbekistan "On Electric Power" No. ZURQ-939 and the Decree of the President of the Republic of Uzbekistan dated February 3, 2025. According to the requirements of Resolution No. PP-39, increasing transparency on territorial divisions is a requirement of the times. Also, in accordance with IFRS 8 "Operating Segments" standard (IFRS, 2023a), since HET JSC has the status of



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a natural monopoly, its territorial divisions must be presented as separate segments. However, in practice, there is no segment information in the financial statements of HET JSC. 2024 according to HET AJ division 14. based on the indicators, the 10% limit of MHXS 8 §13 was checked. The results are presented in Table 1.

Table 1 Results of IFRS 8 reportable tests of HET JSC divisions (2024)¹

No.	Division	Revenue, billion soums	Share, %	OCF, billion soums	Category
1	Tashkent City Electricity Company JSC	1,760	22.5	396	Reportable §13
2	Tashkent city. ET AJ	1,080	13.8	215	Reportable §13
3	Samarkand HET	720	9.2	145	Reportable §16
4	Fergana HET	665	8.5	128	Reportable §16
5	Karakalpakstan HET	365	4.7	48	Reportable (high subsidy)
6–14	The rest (9)	3 230	41.3	548	All Others
	TOTAL	7,820	100.0	1 480	—

As can be seen from the table, according to the requirements of IFRS 8 §13, 2 segments (Tashkent city 22.5%, Tashkent region 13.8%) are mandatory reportable. §16 is included voluntarily - Samarkand (9.2%) and Fergana (8.5%). Karakalpakstan (4.7%) - despite its low volume, it was allocated as a separate

¹Developed by the author



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segment due to its specificity (high level of subsidies, ESG factors). The remaining 9 units are presented in the “All Others” structure (total share 41.3%). The second important methodological element is the elimination of internal cash flows. Eight types of cash flows between 14 nodes of the HET JSC (electricity exchange, administrative services, dividends, internal loans, leasing payments, etc.) total 2,388 billion soums. According to the requirements of IFRS 10 §B86(c) and IAS 27 §11, all of them must be eliminated. Table 2 presents eight types of internal flows.

Table 2 Internal cash flows of HET JSC (2024, in demand for elimination)²

No.	Internal flow type	Appropriate standard	Volume, billion soums	Share, %
1	Electricity exchange (interregional)	MSDS 10 + MSDS 15	1 240	51.9
2	Administrative services (HQ → branch)	IAS 27	420	17.6
3	Internal dividends	IAS 10 §B86	315	13.2
4	Internal loans (HQ ↔ branch)	MSDS 9 + MSDS 10	180	7.5
5	Lease payments (domestic)	IFRS 16 + IAS 27	85	3.6
6	Domestic debts (interest)	IFRS 9 + IAS 23	64	2.7
7	Other internal revenue	IFRS 10	48	2.0
8	Other internal costs	IFRS 10	36	1.5
	TOTAL ELIMINATION	—	2 388	100.0

²Prepared by the author



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As can be seen from this table, during the year, HET JSC had a gross internal cash flow of 2,388 billion soums. The largest share — 51.9% (1,240 billion soums) — belongs to the exchange of electricity between regions. In second place — administrative services (HQ → branch) — 17.6%. Also, internal dividends (13.2%), internal loans (7.5%), leasing (3.6%), etc. All of these 2,388 billion soums — should be automatically eliminated in accordance with the requirements of IFRS 10 §B86(c). Total consolidated revenue — 7,820 billion soums; the elimination volume is 30.5% of gross revenue.

As a result of the research conducted, the following conclusions were drawn:

In accordance with the requirements of IFRS 8 §13, an author's 5 reportable + “All Others” segment model was developed for HET JSC.

In accordance with the requirements of IFRS 10 + IAS 27, 8 types of internal cash flows (totaling 2,388 billion soums) must be eliminated in HET JSC.

The developed model will serve to increase transparency for investors and rating agencies (Fitch, Moody's), improve the quality of risk management, and attract MFI credit lines.

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