
STATUTORY INSTRUMENTS

2005 No. 2012

**The Loan Relationships and Derivative Contracts
(Disregard and Bringing into Account of Profits
and Losses) (Amendment) Regulations 2005**

Amendment to the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004

8.—(1) Amend regulation 7 (fair value profits or losses arising from derivative contracts which are currency contracts) as follows.

(2) For paragraph (1) substitute—

“(1) For the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002 there is prescribed in relation to a derivative contract whose underlying subject matter consists wholly of currency —

- (a) all credits and debits representing the whole or part of a company’s fair value profit or loss in an accounting period if—
 - (i) there is a hedging relationship between the contract or part of the contract and a forecast transaction or a firm commitment (“the hedged item”) of the company; and
 - (ii) the hedged item is not one to which fair value accounting applies for that accounting period;
- (b) a company’s paragraph 50A credit or debit in relation to such a contract, if for the accounting period in which the paragraph 50A credit or debit falls to be brought into account sub-paragraph (a) applies to the contract; and
- (c) a company’s prior period adjustment credit or debit in relation to such a contract, if for the accounting period in which the prior period adjustment credit or debit falls to be brought into account sub-paragraph (a) applies to the contract,

and the credits and debits mentioned in sub-paragraphs (a) to (c) together make up the regulation 7 fair value profits or losses.”.

(3) Omit paragraph (2).

(4) In paragraph (3) after “the part of the” insert “regulation 7”.

(5) After paragraph (3) insert—

“(4) Paragraph 16(3) of Schedule 26 to the Finance Act 2002 does not apply to any regulation 7 fair value profit or loss.”.