
STATUTORY INSTRUMENTS

2004 No. 3256

**The Loan Relationships and Derivative
Contracts (Disregard and Bringing into Account
of Profits and Losses) Regulations 2004**

Fair value profits or losses arising from derivative contracts which are currency contracts

7.—(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, all credits and debits representing the whole or part of the fair value profit or loss arising to a company in an accounting period; if the contract satisfies the conditions in paragraph (2).

(2) The conditions referred to in paragraph (1) are—

- (a) 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;
- (b) exchange gains and losses on the hedged item are not recognised in determining the company’s profit and loss; and
- (c) fair value profit or loss arising to the company in relation to the contract is recognised in the company’s profit and loss account or income statement.

(3) Where there is a hedging relationship between part of a currency contract and a hedged item, the part of the fair value profit or loss that is prescribed is the part which bears to the whole the proportion which the value of that part of the contract which is in the hedging relationship bears to the value of the whole of the contract.