
STATUTORY INSTRUMENTS

2005 No. 3374

**The Loan Relationships and Derivative Contracts
(Disregard and Bringing into Account of Profits
and Losses) (Amendment No. 2) Regulations 2005**

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

10. After regulation 9 insert—

“**9A.**—(1) For the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002 there is prescribed all credits and debits representing the whole or part of the fair value profit or loss arising to a company in relation to an interest rate contract in an accounting period if—

- (a) the contract or a portion of the contract (“the hedging instrument”) is designated as a hedge in respect of any risks arising in respect of an asset, liability, receipt or expense (“the hedged item”);
- (b) fair value profits or losses arising on the hedging instrument are recognised in accordance with generally accepted accounting practice in the company’s statement of recognised gains and losses or statement of changes in equity (“equity statements”); and
- (c) the company has made an election under regulation 6(5).

This is subject to paragraph (2).

(2) Credits and debits which—

- (a) are brought into account in the profit and loss account or income statement (including debits and credits previously brought into account in an equity statement and transferred to the profit and loss account or income statement), or
- (b) are taken to the carrying value of an asset or liability,

are not prescribed for the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002. This is subject to paragraph (3).

(3) In relation to credits or debits within paragraph (2)(a), there is prescribed for the purposes of paragraph 17C(1)(a) of Schedule 26 to the Finance Act 2002 any debits or credits corresponding to the paragraph (2)(a) debits or credits which are reflected in an equity statement.

(4) In this regulation “an interest rate contract” has the same meaning as in regulation 9.”