

Regulatory Announcement

[Go to market news section](#)



Company	Ceres Agriculture
TIDM	CROP
Headline	Interim Results
Released	07:00 29-Aug-08
Number	2568C07

RNS Number : 2568C
Ceres Agriculture Fund Limited
29 August 2008

CERES AGRICULTURE FUND LIMITED

CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT For the period ended 30 June 2008

Highlights

- Strong performance in second quarter of an increase in the Fund's NAV of 4.81%.
- Inception to date returns of 8.82%.
- Net asset value of \$1.09 per share as at 30 June 2008.
- Annualised return of 15.92% from inception to end of second quarter 2008 (unaudited).

Introduction

Dear Shareholders,

It is my pleasure to report the unaudited interim results of Ceres Agriculture Fund Limited.

Ceres was able to produce positive returns for its shareholders with substantially less volatility than the underlying agricultural commodity complex. Fourwind Capital Management, the Manager, seeks to capture the short term inefficiencies and the long term trends in the agricultural commodities while preserving investor capital in adverse market conditions. The period since inception to 30 June 2008 proved the Manager's ability to do just that.

June 2008 was a month rich with short term trading opportunities as record floods spread across major U.S. grain producing states. Ceres was able to profit from the price increase that took place in the grain complex and the Fund gained 3.81% during the month of June. Livestock, tropical, and fiber traders profited during June as well.

Following the rally in agricultural commodities in February 2008, agricultural commodities experienced a sell-off of approximately 16% in March (as measured by the Dow Jones - AIG Agriculture Total Return Sub-Index). Due to Ceres' active approach, traders were able to reduce exposure and thus limited losses to 1.89% for the month of March.

Overall the Board is very pleased with the Fund's resilience to price movements in the agricultural markets and the Manager's ability to effectively manage the portfolio and achieve generally stable and consistent returns for investors regardless of the price movements in the underlying agricultural commodities.

Net Asset Value

The Company's net asset value per share is \$1.09 as at 30 June 2008. No dividends have been announced.

CERES AGRICULTURE FUND LIMITED

CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT
For the period ended 30 June 2008 (continued)**Outlook**

The Manager expects the volatility of the individual commodities to remain high as compared to historical levels and as a result trading opportunities should remain abundant in the agricultural commodity complex. The Manager will continue to seek out qualified agricultural traders and it has already identified three potential candidates for the tropical and fiber commodity buckets. The Manager has proved its ability to generate risk adjusted returns that are uncorrelated to traditional asset classes and anticipates a second fund raising later in 2008.

Shareholders should note that further information about the Company is available on its website at www.ceresagriculture.com.

Hans-Willem van Tuyll
Chairman
22nd August 2008

Enquiries:

FourWinds Capital Management (Investment Manager)
Kimberly Tara info@fourwindscm.com
Marc de Hennin
Hendrik Verest

Citigate Dewe Rogerson (Financial PR Advisor)
Kevin Smith /Lindsay Noton +44 207 638 9571

CERES AGRICULTURE FUND LIMITED

MANAGER'S REPORT**For the period from 17 October 2007 (date of incorporation) to 30 June 2008.**

The Company's portfolio is managed by FourWinds Capital Management (the 'Manager').

The Manager is pleased to report that the Net Asset Value of the Company grew by 8.82% over the period from the commencement of trading activity on 7 December 2008 through 30 June 2008.

Among the twenty traders in the Fund, the rate of return of ten traders was up by more than 10% while the loss of only one trader was greater than 10%.

Discretionary grain traders were amongst the best performers in the Fund. Eighteen of the twenty traders exhibited positive performance. Option traders taking positions in anticipation of decreasing volatility levels in agriculture

markets struggled but losses were limited as a result of tight risk management constraints employed by the Manager.

Short to medium term frequency trading styles performed favourably as compared to long term trading styles since traders had to cope with sharp increases in intra-day volatility. Huge inflows of capital into passively managed commodity investment vehicles required traders to be extremely vigilant in the monitoring of their positions since those inflows often generated substantial disruptions in the price of commodities irrespective of the fundamentals of the underlying agriculture markets.

Many directional traders benefited from sharp moves in the price actions of several "hot" commodities such as wheat, corn, and soybeans. Despite less favourable market conditions for arbitrage strategies, relative value traders were able to generate gains. Our lean hog and sugar spread traders posted double-digit returns in such an environment while our cotton trader posted limited losses. The cotton trader's bearish spread positions were challenged by a sudden increase in demand for the front month cotton contract.

Options were mainly used in the grain market, both for hedging (mainly wheat) and for directional trading (mainly corn, soybeans and rapeseed).

Overall risk at the portfolio level was managed very well during the period. The daily Value-at-Risk (VaR) with 95% confidence averaged 0.48% and never exceeded 1.23%, remaining below the internal limit of 1.50%.

Among the twenty traders in the Fund, five ended the period with a negative incremental VaR, meaning that they decreased the overall risk in the Fund. Consideration is being given to increasing the allocation to some traders in order to keep the low risk profile of the Fund while continuing to deliver strong returns.

The Manager continues to look for additional seasoned traders in agriculture markets in order to take advantage of the increasing demand for the commodities and to capitalize on the substantial volatility embedded in futures and options agriculture markets.

Four winds Capital Management
22nd August 2008

CERES AGRICULTURE FUND LIMITED

PORTFOLIO STATEMENT
AS AT 30 June 2008

Class of investments	Nominal value of positions at 30 June	Market value		% of net asset
	2008 (US\$)	Long (US\$)	Short (US\$)	
Commodities futures				
Others	-	9,283,990	(5,039,983)	2.84
Total Futures	-	9,283,990	(5,039,983)	2.84
Commodities options				
Others	-	4,867,942	(3,963,756)	0.61
Total Options	-	4,867,942	(3,963,756)	0.61
Fixed income				
US Treasury Bill 0% 09/11/2008	-	80,970,210	-	54.26
Total Fixed income	-	80,970,210	-	54.26
Total Futures, Options and Fixed				

income	-	95,122,142	(9,003,739)	57.71
---------------	---	-------------------	--------------------	--------------

The notes which follow below form an integral part of these financial statements.

CERES AGRICULTURE FUND LIMITED

**INCOME STATEMENT
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008**

	Notes	For the period from 17 October 2007 to 30 June 2008 US\$
Income		
Interest income		1,533,190
Other income		267,499
		<u>1,800,689</u>
Expenses		
Commission & fee expenses	7	9,961,817
Other expenses		1,035,977
Interest expense		126,228
		<u>11,124,022</u>
Net loss for the period before investment result		(9,323,333)
Net realised and unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss and foreign currency translations		
Net realised gains on financial assets and liabilities at fair value through profit or loss	3	20,605,385
Net movement in unrealised appreciation of financial assets and liabilities at fair value through profit or loss		2,839,682
Net realised and unrealised foreign exchange losses		244,597
		<u>14,366,331</u>
		Cents
Earnings per share - Basic and diluted		10.36

In the current period there were no gains or losses other than those recognised above.

The Directors consider all results to derive from continuing activities.

The notes which follow below form an integral part of these financial statements.

CERES AGRICULTURE FUND LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2008**

	Notes	2008 US\$
Assets		
Cash and cash equivalents	12	2,943,241
Margin accounts with brokers		66,414,123
Financial assets held at fair value through profit or loss	3	95,122,142
Other receivables	10	389,020
TOTAL ASSETS		<u>164,868,526</u>
Liabilities		
Financial liabilities held at fair value through profit or loss	3	9,003,739
Other payables	11	5,332,651
Bank overdraft	12	1,316,632
TOTAL LIABILITIES		<u>15,653,022</u>
Net assets		<u>149,215,504</u>
Equity		
Share Premium	13	134,849,173
Retained Earnings		14,366,331
TOTAL EQUITY	16	<u>149,215,504</u>
Net asset value per Ordinary Share	4	1.08

These financial statements were approved by the Board of Directors on 22nd August 2008 and signed on its behalf by

Director
**CERES AGRICULTURE FUND
LIMITED**

**STATEMENT OF CHANGES IN
EQUITY
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008**

	Share premium US\$	Retained earnings US\$	Total US\$
Issue of shares	139,203,988	-	139,203,988
Transaction costs of issue of shares	(4,354,815)	-	(4,354,815)
Transfer of share premium to retained earnings	(129,645,185)	129,645,185	
Net profit for the period	-	14,366,331	14,366,331
	<u>5,203,988</u>	<u>144,011,516</u>	<u>149,215,504</u>

The notes which follow below form an integral part of these financial statements.
CERES AGRICULTURE FUND LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008**

	Notes	For the period from 17 October 2007 to 30 June 2008 US\$
Cash flows from operating activities		
Net profit for the period		14,366,331
Adjustments to reconcile profit for the period to net cash inflow from operating activities		
Less: Interest income		(1,533,190)
Add: Interest expense		126,228
Net realised gains on financial assets and liabilities at fair value through profit or loss		(20,605,385)
Net movement in unrealised appreciation of financial assets and liabilities at fair value through profit or loss		(2,839,682)
Interest received		1,444,348
Interest paid		(126,228)
Net increase in other receivables		(300,178)
Net increase in other payables		5,332,651
Net cash outflow from operating activities		(4,135,105)
Cash flows from investing activities		
Purchase of financial assets		(133,095,468)
Proceeds from financial liabilities		(65,169,748)
Sale of financial assets		82,457,282
Disposal of financial liabilities		53,608,826
Margin accounts with brokers		(66,414,123)
Net cash outflow used in investing		(66,414,123)

activities		(128,613,231)
Cash flows from financing activities		
Proceeds from shares issued	13	139,203,988
Transaction costs of issue of shares		(4,354,815)
Net cash inflow from financing activities		<u>134,849,173</u>
Net increase in cash and cash equivalents		2,100,837
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	<u>12</u>	<u>2,100,837</u>

The notes which follow below form an integral part of these financial statements.

CERES AGRICULTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008

1. GENERAL INFORMATION

Ceres Agriculture Fund Limited (the "Fund") is a closed-ended investment fund registered and incorporated on 17 October 2007 in Guernsey. The Fund was established pursuant to the framework introduced by the Guidance Document issued by the Guernsey Financial Services Commission.

The Fund invests in an actively managed portfolio of primarily exchange-traded agricultural commodity contracts and derivatives. The Fund is managed by FourWinds Capital Management. The Fund aims to provide capital appreciation through diversified exposure to an actively managed portfolio of primarily exchange-traded agricultural commodity contracts and derivatives and other agricultural commodity related investments.

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959 as amended was obtained to the initial issue of Ordinary Shares by the Fund. To receive such consent application was made under the Guernsey Financial Services Commission's framework relating to Registered Closed-ended Investment Funds. Under this framework neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council reviewed any placing memorandum, prospectus, explanatory memorandum but instead have relied on specific warranties provided by the Guernsey licensed administrator of the Fund. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Fund or for the correctness of any of the statements made or opinions expressed with regard to it.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, issued by the International Accounting Standard Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The Fund has adopted the US\$ as its presentation currency, being the currency in which its Ordinary Shares are issued. The presentation currency is the same as the functional currency.

The financial statements have been prepared on a historic cost basis except for financial assets and financial liabilities at fair value through profit or loss, which are designated at fair value through profit or loss.

b) Financial assets and liabilities at fair value through profit or loss

The Fund designates its financial assets and liabilities at fair value through profit or loss, at initial recognition.

Recognition/derecognition

Routine purchases and sales of investments are accounted for on the trade date. Cost is not averaged out for futures and options. Each contract has its respective cost, if any.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**
2. SIGNIFICANT ACCOUNTING POLICIES (continued)**b) Financial assets and liabilities at fair value through profit or loss (continued)**

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Realised gains/losses on disposal/settlement of financial instruments are determined as a difference between the disposal/settlement proceeds and cost (if any) of the financial instruments and is recognised in the period in which they arise.

Fair value

Investments are quoted. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

c) Interest income and expense

Bank interest income and interest expense is recognised on an accrual basis based on the effective interest method.

d) Cash and cash equivalents, Margin accounts with brokers and cash overdrawn

Cash and cash equivalents comprise cash balances held at banks. For cash flow statement purposes, this includes bank overdrafts. The bank overdrafts are repayable on demand and form an integral part of the Fund's cash management. Margin accounts with brokers comprise of balances held as margin on futures with various brokers and are used as collateral to trade on commodity exchanges.

e) Expenses

All expenses are recognised on an accrual basis.

f) Translation of foreign currencies

Foreign currency transactions during the period are translated into US\$ at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the Income Statement.

g) Changes in accounting policies

International Accounting Standard Board and International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the accounting period date:

CERES AGRICULTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Changes in accounting policies (continued)

International Accounting Standards (IAS/IFRS)	Effective date (accounting periods commencing after)
IFRS 2 Amendment to IFRS 2 - Vesting Conditions and Cancellations 2009	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC12 - Service Concession Arrangements	1 January 2008
IFRIC13 - Customer loyalty programmes	1 January 2008
IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Whilst the revised IAS 1 will have no impact on the measurement of the Fund's results or net assets it is likely to result in certain changes in the presentation of the Fund's financial statements from 2009 onwards.

The Directors do not expect the adoption of the other standards and interpretations to have a material impact on the Fund's financial statements in the period of initial application.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

3. Financial assets and financial liabilities held at fair value through profit or loss

	Commodities Futures US\$	Commodities Options US\$	Fixed Income US\$	Total US\$
Financial assets at fair value through profit or loss				

Cost at 30 June 2008	-	6,180,329	80,860,840	87,041,169
Unrealised gain	9,283,990	(1,312,387)	109,370	8,080,973
Market value at 30 June 2008	<u>9,283,990</u>	<u>4,867,942</u>	<u>80,970,210</u>	<u>95,122,142</u>
Financial liabilities at fair value through profit or loss				
Cost at 30 June 2008	-	(3,762,443)	-	(3,762,443)
Unrealised loss	(5,039,983)	(201,313)	-	(5,241,296)
Market value at 30 June 2008	<u>(5,039,983)</u>	<u>(3,963,756)</u>	<u>-</u>	<u>(9,003,739)</u>
Net realised gains on financial assets and financial liabilities at fair value through profit or loss				20,605,385

4. EARNINGS PER SHARE

Earnings per share is based on the net gain for the period attributable to shareholders of the Company US\$14,366,331 and on 135,712,965 Ordinary Shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted earnings per share are identical.

5. RISK MANAGEMENT POLICIES AND DISCLOSURES

The Fund may utilize a variety of financial instruments in its investing strategy. Several of these instruments contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the instrument may be in excess of the amounts recorded on the Fund's balance sheet. Investments expose the Fund to varying risks including market, liquidity, and credit/counterparty risks. A description of the specific risks and the policies of managing these risks are included below.

CERES AGRICULTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008 (CONTINUED)

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (continued)

a) Market price risk

Market risk is the risk that the market price of a financial instrument will fluctuate due to changes in foreign exchange rates, market interest rates and factors specific to the commodities or its issuer or factors affecting all commodities traded in the market.

Market price risk arises mainly from uncertainty about future values of investments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager actively monitors market prices and reports to the Board as to the appropriateness of the investments held. Market risk is managed for the portfolio by investing in traditionally uncorrelated commodities, specifically; fibers, tropicals, grains, livestock. Specific risk parameters addressing the maximum percentage in each sector, as well as parameters specific to the allowable margin to equity ratio of each Commodity Trading Adviser ("CTA"), serve to protect against severe exposure in any market. The Fund also monitors a daily VaR calculation to ensure it does not exceed maximum risk guidelines.

At 30 June 2008, the overall market risk exposures were as follows:

	Commodities Futures US\$	Commodities Options US\$	Fixed Income US\$	Total US\$	% of net asset
Financial assets held at fair value through profit					

or loss	9,283,990	4867942	80,970,210	95,596,370	64.06
Financial liabilities held at fair value through profit or loss	(5,039,983)	(3,963,756)	-	(9,003,739)	(6.03)
	<u>4,244,007</u>	<u>1,378,414</u>	<u>80,970,210</u>	<u>86,592,631</u>	<u>58.03</u>

Market Risk Assessment

The Investment Committee of the Manager has set limits on the level of risk that may be accepted in the portfolio. The Value-at-Risk (VaR) methodology is applied in order to assess the market risk of positions held within the portfolio and to estimate the potential economic loss based on a number of parameters and assumptions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. SunGard's Kiodex Risk Workbench, a commodities risk management solution, is used to calculate VaR. Additional details on the methodology are provided below under 'VaR Assumptions and Methodology'.

The portfolio VaR as well as trader's individual VaR, including incremental VaR, is calculated on a daily basis using Kiodex. Incremental VaR represents the trader's contribution to the total portfolio VaR and provides an additional layer of risk analysis. In addition, Kiodex provides the flexibility to drill down and view risk at the position level.

CERES AGRICULTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008 (CONTINUED)

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (continued)

In addition to VaR, the Investment Committee reviews other measures of sensitivity and exposure known as the greeks (delta, gamma, vega). The portfolio greeks as well as trader's individual greeks are calculated on a daily basis using Kiodex. The Investment Committee utilizes the greeks in order to evaluate exposure to various commodity markets (grains, livestock, fibres, tropicals) as well as individual commodities and commodity contracts. The measures are useful in managing concentration risk in the portfolio.

VaR Assumptions and Methodology

The VaR that the Investment Committee measures is an estimate, using a confidence level of 95%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day.

For example, assume the portfolio 1-day VaR is \$1.25 million. This implies that under normal trading conditions the Investment Committee can be 95% confident that a change in the value of the portfolio would not result in a decrease of more than \$1.25 million during one day. If the Net Asset Value (NAV) of the portfolio is \$150 million, this would mean that the 1-day, 95% VaR is approximately 0.83% of the NAV (in percentage terms). As at June 30, 2008, VaR was 0.58% of the NAV of the Fund.

Kiodex Monte Carlo VaR is generated using historic correlations and implied early expiry volatilities as explained below.

The 1-day VaR is calculated assuming a 95% confidence level using a Monte Carlo simulation. Correlations are generated from a predetermined time period of 90 days. Each commodity is correlated through a two factor model, with the long and short end of the curve each representing a factor. Both factors are correlated to both ends of every other commodity. A curve is the relation between the price of a commodity contract and time (month) at which the contract matures (or expires). The short end of the curve refers to the 'spot' or 'front' month contract which is the next futures contract due to expire for a particular commodity. The long end of the curve refers to commodity contracts that expire further out in the future. Both factors are also correlated to each other to measure the level of curve twisting which may occur in a random scenario. It is this two factor model which enables curves to move from contango to backwardation in markets where this is applicable. For example, markets such as gold which never go into backwardation, would not show backwardation as a likely scenario. Other curves, which easily flip to varying states of backwardation and contango, will show twists in a number of scenarios.

Once correlations are generated the magnitude of market data shifts are simulated. The magnitude of the range of curve bumps throughout scenarios is determined from the implied at the money early expiry volatilities of each contract.

The implied volatility of a contract represents the term volatility. When a VaR is run for a period shorter

than the term of the contract, a volatility for the chosen horizon must be determined from both the term volatility and the volatility distribution defined by the Kiodex model parameters.

Mark to markets is then run against a variety of scenarios. The results are ordered from the most positive to the most negative mark to market change. A VaR level is chosen to represent the path in percentage terms. If 1000 paths are used, a 95% VaR represents the 950th best path, or the 50th worst path.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**
5. RISK MANAGEMENT POLICIES AND DISCLOSURES (continued)

Different paths are used to determine the VaR of a trade, book, and portfolio within the same risk report. For example, a trader's VaR represents that particular trader's 95% VaR level, while a position VaR represents the 95% VaR level for that particular position.

Limitations of the VaR Methodology

The VaR that is utilized in the Manager's risk analysis is a 'point-in-time' calculation, reflecting positions recorded at that date, which does not necessarily reflect the risk positions held at any other time. VaR is a statistical estimation and therefore it is possible that there could be, in any period, a greater number of days in which losses could exceed the calculated VaR implied by the confidence level. Although losses are not expected to exceed the calculated VaR on 95% of occasions, on the other 5% of occasions, losses will be greater and might be substantially greater than the calculated VaR.

b) Interest rate risk

The Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short - term market interest rates which mitigate interest rate risk and allows for the cash and cash equivalent assets to be positively correlated to interest rates.

The table below summarises the Fund's exposure to the interest rate risk. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

At 30 June 2008	Up to I month US\$	Non- interest bearing US\$	Total US\$
Assets			
Financial assets held at fair value through profit or loss	-	95,122,142	95,122,142
Cash and cash equivalents	2,943,241	-	2,943,241
Margin accounts with brokers	66,414,123	-	66,414,123
Other receivables	-	389,020	389,020
Total Assets	69,357,364	95,511,162	164,868,526
Liabilities			
Financial liabilities held at fair value through profit or loss	-	9,003,739	9,003,739
Bank overdraft	1,316,632	-	1,316,632
Other payables	-	5,332,651	5,332,651
Total Liabilities	1,316,632	14,336,390	15,653,022
Interest rate sensitivity gap	68,040,732	81,174,772	149,215,504

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

5. **RISK MANAGEMENT POLICIES AND DISCLOSURES (continued)**

Interest rate sensitivity

At 30 June 2008, should interest rates have lowered between 10 and 25 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of redeemable shares for the period would amount to approximately US\$ 68,040.73 and US\$ 170,101.82 respectively. If interest rates had risen by 10 and 25 basis points, the increase in net assets attributable to holders of redeemable shares would amount to approximately US\$ 68,040.73 and US\$ 170,101.82 respectively.

The Fund's cash assets are positively correlated to interest rates. These are held in cash at the various brokers (and HSBC), and as interest rates rise, the interest earned would follow (rise) thus increasing the value of the Fund.

The carrying amounts of financial assets and financial liabilities approximates their respective fair values as at 30 June 2008.

c) **Liquidity risk**

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund manages the overall liquidity by investing through Commodity Trading Advisers ("CTA") who trade in various US and European markets. The derivatives in which they trade are exchange products, with standardized contracts and large volume and open interest numbers. In addition, the Fund is fully funded.

Under its Articles, the Fund has the ability to incur borrowings of up to 25 percent of its Net Asset Value but the Fund's policy is to restrict any borrowings to a maximum of 10 percent of Net Asset Value. The Board intends to use this only for short term liquidity, working capital requirements and to fund share buy backs. The use of such borrowings may have an adverse effect on the Fund's ability to achieve its target returns. It should be noted that the Board's policy is to maintain a strong capital base so as to maintain shareholder value and to sustain future development of the Fund. (see note 5(g)).

The table below analyses the Fund's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 30 June 2008	Less than			Total US\$
	1 month US\$	1-3 months US\$	3-12 months US\$	
Assets				
Cash and cash equivalents	2,943,241	-	-	2,943,241
Margin accounts with brokers	66,414,123	-	-	66,414,123

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

5. **RISK MANAGEMENT POLICIES AND DISCLOSURES (continued)**

Financial assets held at fair value through profit or loss	56,575	82,892,841	12,172,726	95,122,142
Other debtors and accrued income	389,020	-	-	389,020
	<u>69,802,959</u>	<u>82,892,841</u>	<u>12,172,726</u>	<u>164,868,526</u>

Liabilities

Financial liabilities at fair value through profit or loss	611,420	586,129	7,806,191	9,003,739
Bank overdraft	1,316,632	-	-	1,316,632
Other creditors and accrued expenses	<u>5,332,651</u>	<u>-</u>	<u>-</u>	<u>5,332,651</u>

Total liabilities	7,260,703	586,129	7,806,191	15,653,022
Net assets attributable to Shareholders				149,215,504

d) Currency risk

The majority of the Fund's financial assets and liabilities are based in US\$, the functional currency. Currency risk is the risk that the US\$ value of non-USD based financial instruments will fluctuate due to changes in foreign exchange rates. The table below indicates the currencies and amounts the Fund was exposed to, as of 30 June 2008.

Currency	Amount	Conversion rate	Value US\$	% of net assets
USD	149,122,285	1.0000	149,122,285	99.94%
GBP	91,559	1.9891	182,120	0.12%
EURO	(56,489)	1.5738	(88,902)	(0.06)%
				100.00%

e) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Fund is exposed to credit risk in relation to its cash balances, investments and debtor balances as stated in the balance sheet.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

5. RISK MANAGEMENT POLICIES AND DISCLOSURES (continued)**e) Credit risk (continued)**

All transactions in listed securities are traded on a delivery versus payment basis. The trade will fail if either party fails to meet its obligation. Credit risk on a derivative instrument is limited to the amount of initial margin paid plus any variation margin.

The Fund seeks to work with clearing brokers who are large, stable market leaders that meet the highest operational and organisational standards. The Fund deals with at least three clearing brokers at all times. These brokers are subject to Commodities Futures Trading Commission ("CTFC") regulation and as such must keep regulated futures accounts segregated from their corporate assets.

As of 30 June 2008, the Fund's assets were held at 3 different Futures Commodity Merchants ("FCM") and at HSBC (administrator) with the following weights*:

Broker	% of net assets
MFGlobal	71%
Marex	14%
PruBache	13%
HSBC (cash only)	2%
Total	100%

*The FCM accounts are segregated by CFTC regulations so that they are not commingled with the Brokers' assets.

f) Off-balance sheet risk

Furthermore, the Fund enters into investment transactions which attract off-balance sheet market risks and off-balance sheet credit risks. An off-balance sheet market risk exists when the maximum potential loss on a particular investment is greater than the value of such investment as reflected in the Balance Sheet. Off-balance sheet credit risk exists, among other situations, when the collateral received by the Fund from the counterparty to an agreement with the Fund proves to be insufficient to cover the Fund's losses resulting from

a default by the counterparty of its obligation to perform under the terms of the agreement. Margin deposits with brokers are held as collateral for futures. This risk is inherent in investing in futures. By instituting all the items discussed in note 5, principally Market risk assessment in 5(a) and Credit risk in 5(e), the Fund is addressing and mitigating this risk factor.

g) Capital management

The Board's policy is to maintain a strong capital base so as to maintain shareholder value and to sustain future development of the Fund. The Board manages the Fund's affairs to achieve shareholder returns through capital growth rather than income, and monitors the achievement of this through growth in Net Asset Value per share. Gearing may be employed by the Fund with the aim of enhancing shareholder returns and for short term liquidity and working capital requirements. The Fund is not subject to externally imposed capital requirements except for the margin requirements imposed by the exchanges in which the brokers trade.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

6. TAXATION

The Fund is a Guernsey Exempt Company and is therefore not subject to taxation on its income under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual exempt fee of £600 has been paid.

7. COMMISSION & FEES EXPENSES

	2008
	US\$
Performance fees expense	1,443,055
Management fees expense	1,995,351
Trader performance fees	5,496,326
Commission fees expense	760,221
Directors' fees expense	92,000
Directors Expenses	2,923
Directors Insurance Expense	8,452
Directors Travel Fee Expense	3,048
Administration fees expense	95,503
Audit fees expense	64,938
	<hr/>
	9,961,817

8. ADMINISTRATION FEES

The Administrator is paid fees for acting as administrator of the Fund on a sliding scale, based on the Net Asset Value of the Fund, as follows:

US\$0 to US\$100,000,000	0.12% per annum
US\$100,000,000 to US\$250,000,000	0.09% per annum
US\$250,000,000 to US\$500,000,000	0.06% per annum
Above US\$500,000,000	0.03% per annum

subject to a minimum monthly fee of US\$10,000, or such other fees as may be agreed on normal commercial terms between the Administrator and the Fund from time to time. The Administrator will also be paid a termination/re-structuring fee of US\$5,000 upon termination/liquidation of the Fund and any future re-structure of the Fund will incur a minimum fee of US\$10,000.

The fee will accrue on a monthly basis and will be payable monthly in arrears.

The administration fees payable for the period were US\$31,332.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

9. MANAGER FEES

The Fund pays to the Manager a 'base fee' which is equal to 0.375 percent of the Net Asset Value per calendar quarter.

In addition the Manager is entitled to a Performance Fee which is an amount equal to 20% of the appreciation in the Net Asset Value over the highwater mark Net Asset Value multiplied by $(1 + (0.08 \times (n/y)))$ where n = the number of calendar days in the relevant calculation period for which the particular share was in issue and y = 365 or, in a leap year, 366.

10. OTHER RECEIVABLES	2008 US\$
Pre-payments	300,178
Interest receivable	88,842
	<u>389,020</u>
11. OTHER PAYABLES	2008 US\$
Commission & fees expense	4,525,727
Due to broker	798,367
Others	8,557
	<u>5,332,651</u>
12. CASH AND CASH EQUIVALENTS	2008 US\$
Cash and cash equivalents	2,943,241
Bank overdraft	(1,316,632)
At 30 June 2008	<u>1,626,609</u>
Represented by:	
Cash at bank	<u>1,626,609</u>

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**

13. SHARE CAPITAL

The authorised share capital of the Fund on incorporation was represented by an unlimited number of Ordinary Shares of no par value. At incorporation, 2 Ordinary Shares were subscribed for by the subscribers to the Memorandum of Association. On 27 November 2007 (the date of admission of the Fund to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange), a further 133,999,998 Ordinary Shares were issued. Prior to admission, on 9 November 2007, the holders of the 2 issued Ordinary Shares in the Fund passed a written special resolution approving the cancellation of the entire amount which would stand to the credit of the share premium account immediately after admission, conditionally upon the issue of the Ordinary Shares on admission and the payment in full thereof on admission. An application was made to the Royal Court of Guernsey to confirm the reduction of the share premium account. This cancellation, which was granted on 4 January 2008, will enable the Fund to effect purchases of its own Shares.

On 11 April 2008, the Fund issued an additional 4,646,418 Ordinary Shares.

Under the Articles, the Directors have wide powers to issue further shares or reissue shares held in treasury, on a pre-emptive and non pre-emptive basis. The Directors will consider issuing further shares at a price per share that is not less than the then prevailing Net Asset Value per share or, in relation to shares held in treasury, at no more than a 5 per cent discount to the then prevailing Net Asset Value per share or, if less, the average discount at which all the shares then held in treasury were repurchased by the Fund.

The Shareholders (except for the holders of treasury shares, who shall have no such right) have the right to receive notice of, and to attend and vote at, general meetings of the Fund and each holder of Ordinary Shares being present in person or by attorney at a meeting shall upon a show of hands has one vote and upon a poll each such holder present in person or by proxy or by attorney has one vote in respect of each Ordinary Share held by him.

Shareholders (except for the holders of treasury shares, who has no such right) are entitled to receive, and participate in, any dividends or other distributions out of the profits of the Fund available for dividend and resolved to be distributed in respect of any accounting period or other income or right to participate therein.

Authorised, issued and fully paid	2008
	US\$
Unlimited Ordinary Shares of no par value	-

CERES AGRICULTURE FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008 (CONTINUED)

13. SHARE CAPITAL (continued)

The issue of shares took place as follows

	No. of Ordinary Shares	Share Capital US\$	Share Premium US\$
At 17 October 2007 (date of incorporation)	2	-	-
Issued during the period	138,646,416	-	139,203,988
Balance at 30 June 2008	138,646,418	-	139,203,988

	2008 US\$
SHARE PREMIUM	2008 US\$
At 17 October 2007 (date of incorporation)	-
Share Premium on raising	139,203,988
Less: Share issue costs	(4,354,815)
Transfer to retained earnings	(129,645,185)
Share Premium	5,203,988

14. EXCHANGE RATES

The exchange rates used in preparation of the financial statements are:

Closing rate at 30 June 2008 US\$ 1 = GBP 0.5027

Closing rate at 30 June 2008 US\$ 1 = EURO 0.6354

15. RELATED PARTY TRANSACTIONS

Transactions with related parties are based on terms equivalent to those that prevail in an arm's length transaction.

	2008
	US\$
Remuneration of directors	92,000
Management fee	1,995,351
Performance fees	6,939,381
	<u>9,026,732</u>

Kimberly Tara, a director and shareholder of the Manager, is a Director of the Fund.

CERES AGRICULTURE FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 17 OCTOBER 2007 (DATE OF INCORPORATION) TO 30 JUNE 2008
(CONTINUED)**
16. RECONCILIATION OF NET ASSET VALUE

	2008
	US\$
Published Net Asset Value attributable to Ordinary Shareholders as at 30 June 2008	151,168,850
Preliminary expenses charged to equity/share premium	(1,953,346)
Net assets attributable to Ordinary Shareholders as at 30 June 2008	<u>149,215,504</u>

Preliminary expenses are written off in the first year of operation before 31 December 2008 in accordance with the Fund's prospectus. For the purpose of calculation of NAV the preliminary expenses are written off every month proportionately.

17. SUBSEQUENT EVENTS

There have been no events subsequent to the period end.

CERES AGRICULTURE FUND LIMITED**DIRECTORS' REPORT**

The Directors present their report and the unaudited financial statements for the period from incorporation on 17 October 2007 to 30 June 2008.

Ceres Agriculture Fund Limited ("Ceres") was registered on 17 October 2007 with Registered Number 47896 and is domiciled and incorporated in Guernsey, Channel Islands. The Company is a close-ended investment company with limited liability formed under The Companies (Guernsey) Law, 1994 (the "Companies Law") and its Ordinary Shares are traded on London Stock Exchange.

Principal activity and business review

The principal activity of the Company during the period was that of an investment company. The Company is expecting to continue its activities in the coming year. A review of the period is provided in the Manager's Report.

Results and dividends

The results for the period and the Company's financial position at the end of the period are shown above. No

dividend was declared during the period.

Directors

The Directors of the Company who served during the period were:

Baron Hans-Willem Reinier van Tuyll van Serooskerken (Chairman)
 Martyn Henley-Roussel
 Howard Myles (Chairman of the Audit Committee)
 Kimberly Tara

The Directors' interests in the share capital of the Fund at 30 June 2008 were:

	Number of Ordinary Shares
Howard Myles	20,000
Kimberly Tara*	500,000

* K. Tara's interest is in respect of Ordinary Shares owned by Fourwinds Capital Management of which she is a director and shareholder

CERES AGRICULTURE FUND LIMITED

DIRECTORS' REPORT (continued)

Substantial interests in share capital

As at 30 June 2008, the following holdings representing more than 3 per cent of the Fund's issued share capital had been reported.

	Number of shares	Percentage held
The Bank of New York (Nominees) Limited	10,420,000	7.52%
The Bank of New York (Nominees) Limited	9,750,000	7.03%
BNY (OCS) Nominees Limited	4,449,310	3.21%
Euroclear Nominees Limited	7,585,549	5.47%
Chase Nominees Limited	20,000,000	14.43%
Euroclear Nominees Limited	32,715,000	23.60%
Goldman Sachs Securities (Nominees) Limited	7,063,000	5.09%
HSBC Global Custody Nominee (UK) Limited	20,000,000	14.43%
Pershing Nominees Limited	5,215,900	3.76%

The Manager

FourWinds Capital Management was appointed Manager on 5 November 2007. The independent Directors have reviewed the performance of the Manager and are satisfied that the continued appointment of the Manager on the terms agreed is in the best interests of the shareholders and the Fund.

Auditors

Ernst & Young LLP have been appointed as auditors of the Fund and have expressed their willingness to continue in office.

Listing Requirements

On 27 November 2007 the Fund's Ordinary Shares were admitted to trading on the main market of the London Stock Exchange.

Authorised and Issued Share Capital

Upon incorporation 2 Ordinary shares of no par value were issued at a price of US\$1 per share. On 27 November 2007, the Company issued 133,999,998 shares in its initial placing at an offer price of US\$1 per share.

On 11 April 2008, the Company issued 4,646,418 shares at an offer price of US\$1.12 per share.

CERES AGRICULTURE FUND LIMITED

DIRECTORS' REPORT (continued)

Corporate Governance

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code (the "Code") issued by the UK Listing Authority. The Board has however put in place a framework for corporate governance which it believes is suitable for an investment company. The Company is committed to complying with the corporate governance obligations which apply to Guernsey registered companies. In addition, the Company has complied from Admission with the AIC Code of Corporate Governance produced by the Association of Investment Companies and is not presently aware of any respects in which it departs from the AIC Code.

The Board

All the Directors are non-executive and so there is no nomination or remuneration committee.

The Articles of Association provide that unless otherwise determined by the Board, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any twelve month period, or pro rata for any lesser period, shall not exceed £150,000 or such sum as may be approved by the Company in general meeting. Kimberly Tara is not entitled to receive a director's fee. The Directors currently receive annualized aggregate Directors fees of £70,000.

The Board generally meets at least four times a year at which time the Directors will review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company. Between these quarterly meetings there is regular contact with the Manager. The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Audit and Management Engagement Committee meets twice a year. In addition, there were a small number of ad hoc meetings of the board to approve the listing of the Company, placings of Ordinary Shares and to review specific items between the regular scheduled quarterly meetings. Attendance at the regular Board and Audit and Management Engagement Committee meetings for the period from incorporation to 1 August 2008 was as follows:

	Number of meetings held	K Tara	Hans Willem Van Tuyll	H Myles	M H Roussel
Board meetings	3	2	3	3	3
Audit and Management					

Engagement Committee meetings	2	N/A	2	2	2
Ad hoc Board meetings	6	4	4	6	5

The Board has a breadth of experience relevant to the Company and the Directors believe that any foreseeable changes to the Board's composition can be managed without undue disruption. With any new Director appointment to the Board, consideration will be given as to whether an induction process is appropriate.

CERES AGRICULTURE FUND LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities

We confirm to the best of our knowledge:

(a) the Chairman's Statement and Interim Management Report include a fair review of the development and performance of the business and position of the Company together with a description of the principal risks and uncertainties that the Company faces as required by the Disclosure and Transparency Rules of the UK Listing Authority¹.

(b) the half-yearly financial report for the period ended 30 June 2008 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the assets, liabilities, financial position, profits and losses of the Company.

Signed on behalf of the Board of Directors by:

Director

22nd August 2008

¹DTR 4.2.7R and 4.2.8R

CERES AGRICULTURE FUND LIMITED

MANAGEMENT AND ADMINISTRATION

DIRECTORS:

Baron Hans-Willem Reinier van Tuyll van Serooskerken*
(Chairman)
Martyn Henley-Roussel *
Howard Vivian Peter Myles* (Chairman of the Audit Committee)
Kimberly Tara
* independent and non-executive directors

**MANAGER
AND CO-PLACING AGENT:**

FourWinds Capital Management
Scotia Bank Building
PO Box 268GT
George Town
Grand Cayman
Cayman Islands

SPONSOR AND PLACING AGENT: Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR United Kingdom

**SOLICITORS TO THE COMPANY
AND
THE PLACING:** (as to English law) Herbert Smith LLP
Exchange House, Primrose Street
London EC2A 2HS United Kingdom

ADVOCATES TO THE COMPANY:
(as to Guernsey law) Ozannes
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey CI
GY1 4HP

ADMINISTRATOR: HSBC Securities Services (Guernsey) Limited
Arnold House
St Julian's Avenue
St Peter Port
Guernsey CI
GY1 3NF

CERES AGRICULTURE FUND LIMITED

MANAGEMENT AND ADMINISTRATION (continued)

AUDITORS: Ernst & Young LLP
14 New Street
St Peter Port
Guernsey CI
GY1 4AF

REGISTRAR: Capita Registrars (Guernsey) Limited
2nd Floor
No.1 Le Truchot
St Peter Port
Guernsey CI
GY1 4AE

SOLICITORS TO PLACING AGENT: LG
4 More London Riverside
London SE1 2AU United Kingdom

UK TRANSFER AGENT: Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU United Kingdom

REGISTERED OFFICE Arnold House
St Julian's Avenue
St Peter Port

Guernsey CI
GY1 3NF

This information is provided by RNS
The company news service from the London Stock Exchange

END

Close

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2008 London Stock Exchange plc. All rights reserved