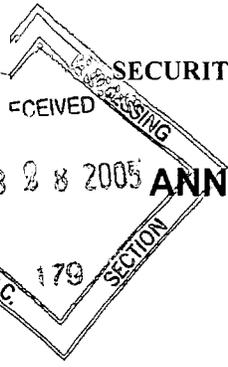




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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

FACING PAGE Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Shepherd Trading Limited

OFFICIAL USE ONLY FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

C/O SEI Investments Styne House Upper Hatch Street (No. and Street)

Dublin 2 Ireland (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Joseph Lucas (414) 294-7000 (Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company

(Name -- if individual, state last, first, middle name)

3 Becker Farm Road Roseland New Jersey 07068 (Address) (City) (State) (Zip Code)

CHECK ONE:

- [X] Certified Public Accountant [] Public Accountant [] Accountant not resident in United States or any of its possessions

PROCESSED MAR 17 2005 THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

TLH 3/14

OATH OR AFFIRMATION

I, Joseph Lucas, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Shepherd Trading Limited, as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Principal / CFO
Title


Notary Public

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SHEPHERD TRADING LIMITED

STATEMENT OF FINANCIAL CONDITION
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2004

SHEPHERD TRADING LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Stockholder and Board of Directors
of Shepherd Trading Limited

We have audited the accompanying statement of financial condition of Shepherd Trading Limited (the "Company") including the condensed schedule of investments as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Shepherd Trading Limited as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company, P.C.

Roseland, New Jersey
January 29, 2005

SHEPHERD TRADING LIMITED

STATEMENT OF FINANCIAL CONDITION

(Expressed in United States Dollars)

December 31, 2004

ASSETS

Investments in securities, at market (cost \$528,775,355)	\$	573,663,171
Due from broker		90,482,599
Dividends and interest receivable		1,366,045
Other assets		<u>42,964</u>
	\$	<u>665,554,779</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Securities sold short, at market (proceeds \$431,147,719)	\$	469,181,853
Accrued expenses		1,699,775
Performance and management fees payable		<u>1,127,477</u>
Total liabilities		<u>472,009,105</u>

Stockholder's equity

Common stock, \$1 par value, 100 shares authorized, issued, and outstanding		100
Capital in excess of par value		79,307,312
Retained earnings		<u>114,238,262</u>
Total stockholder's equity		<u>193,545,674</u>
	\$	<u>665,554,779</u>

See accompanying notes to financial statements.

SHEPHERD TRADING LIMITED

CONDENSED SCHEDULE OF INVESTMENTS

(Expressed in United States Dollars)

December 31, 2004

	Number of Shares or Principal Amount	Percentage of Stockholder's Equity	Market Value
Investments in securities, at market			
Common Stocks			
Basic Materials		10.4 %	\$ 20,207,126
Capital Goods-Manufacturing			
SPX Corporation	42,900	0.9	1,718,574
Other		18.1	35,127,872
Consumer Cyclical			
Delta Airlines	126,350	0.5	945,098
Sears Roebuck and Co	232,500	6.1	11,864,475
Other		27.2	52,658,169
Consumer Non-Cyclical			
Seapracor Inc	8,125	0.2	482,380
Other	1,484,950	26.7	51,686,500
Energy		14.8	28,675,443
Finance		15.3	29,651,137
Media			
Comcast Corp	569,624	9.8	18,944,250
Other		3.5	6,711,961
Other		2.5	4,775,102
Technology		10.3	19,945,112
Telecommunication			
Yahoo Inc	62,500	1.2	2,354,994
Lucent Technologies	1,987,099	3.9	7,471,294
Other		21.7	41,936,092
Transportation		5.2	9,986,643
Utility		0.2	320,287
Total Common Stocks (cost \$311,322,270)		178.5	345,462,509
Corporate Bonds			
Basic Materials		2.6	4,987,307
Capital Goods-Manufacturing			
SPX Corp 0.0% CV Bond Reg	26,125,500	8.2	15,858,179
Other		0.0	825
Consumer Cyclical			
Delta Air Lines 8.3% 12/15/29	825,000	0.2	358,875
Delta Air Lines 10.125% Bond	3,870,000	1.2	2,283,300
Delta Air Lines 7.9% Bond	15,675,000	4.7	9,013,125
Other		0.1	288,000
Consumer Non-Cyclical		1.8	3,435,000
Energy		7.0	13,518,810
Media		2.9	5,631,285
Telecommunication		0.2	406,780
Utility		7.0	13,468,095
Total Corporate Bonds (cost \$62,079,518)		35.8	69,249,581

See accompanying notes to financial statements.

SHEPHERD TRADING LIMITED

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

(Expressed in United States Dollars)

December 31, 2004

	Number of Shares or Principal Amount	Percentage of Stockholder's Equity	Market Value
Investments in securities, at market (continued)			
High Yield Municipal Bonds			
Consumer Cyclical			
Chicago Ohare 6.75% 11/01/11	6,697,000	0.9 %	\$ 1,657,508
Chicago Ohare 5.2% 04/01/11	6,910,000	0.9	1,710,225
Chicago Ohare 5.8% 11/01/35	7,200,000	1.3	2,448,000
Chicago Ohare 5.35% 09/01/16	15,672,000	2.0	3,878,820
Chicago Ohare 6.1% 11/01/35	23,815,000	3.0	5,894,213
Chicago Ohare 6.375% 11/01/35	35,370,000	6.2	12,025,800
Chicago Ohare 6.3% 05/01/16	48,785,000	6.2	12,074,288
Other		2.8	5,451,088
Government			
Massachusetts St 5.75% 01/01/32	15,000,000	8.7	16,929,300
		32.1	62,069,242
Total High Yield Municipal Bonds (cost \$53,036,891)			
Options			
Basic Materials		0.3	644,940
Capital Goods-Manufacturing			
SPX Put Jan. 2005 Strike 975	1,000	0.0	7,500
SPW Jan. 2006 Calls @ \$55.0	1,000	0.1	104,990
SPX Put March 2005 Strike 1100	1,000	0.3	500,000
SPX Put March 2005 Strike 1125	1,000	0.4	719,990
Caterpillar Inc. May'05 @ \$90.0	3,750	1.9	3,768,750
Other		1.6	3,017,224
Consumer Cyclical		4.2	8,092,448
Consumer Non-Cyclical			
Sepracor Inc. January 2006 Puts @ \$55.0	228	0.1	142,500
Sepracor Inc. January 2005 Puts @ \$50.0	2,250	1.1	2,137,500
Altria Group Inc. Call June 2005 Strike 65	3,500	0.4	831,250
Altria Group Inc. Call June 2005 Strike 55	1,750	0.7	1,391,233
Altria Group Inc. Call June 2005 Strike 50	3,500	2.2	4,182,465
Altria Group Inc. Call June 2005 Strike 60	14,000	3.4	6,579,860
Altria Group Inc. Call March 2005 Strike 47.5	5,250	3.8	7,376,250
Other		5.2	10,071,937
Energy		7.3	14,127,927
Finance		0.7	1,284,394
Index Fund		0.1	115,048
Media		0.7	1,314,988
Other		0.1	250,929
Technology		1.8	3,537,655
Telecommunication			
Lucent Jan 05 Puts @ \$5		0.6	1,200,000
Lucent Jan 05 Puts @ \$7.50		2.0	3,885,000
Other		4.4	8,535,742

See accompanying notes to financial statements.

SHEPHERD TRADING LIMITED

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

(Expressed in United States Dollars)

December 31, 2004

	Number of Shares	Percentage of Stockholder's Equity	Market Value
Investments in securities, at market (continued)			
Options (continued)			
Utility		0.1 %	\$ 174,784
Total Options (cost \$98,219,472)		43.4	83,995,304
Preferred Stocks			
Energy		1.3	2,564,655
Media		0.0	20,760
Telecommunication		0.1	128,000
Finance		0.0	35,000
Total Preferred Stocks (cost \$2,681,443)		1.4	2,748,415
Warrants			
Capital Goods-Manufacturing		0.0	37,880
Consumer Non-Cyclical		0.5	1,063,294
Finance		0.0	-
Media		3.5	9,036,879
Technology		0.0	12
Telecommunication		0.0	55
Total Warrants (cost \$1,435,761)		4.0	10,138,120
Total investments in securities (cost \$528,775,355)		295.2 %	\$ 573,663,171

The geographical categorization by country of issuer of the value of investments is as follows:

	Percentage of Market Value	Market Value
United States (cost \$509,485,837)	96.4 %	\$ 552,975,042
Canada (cost \$9,984,085)	1.8	10,297,932
China (cost \$8,839,475)	1.7	9,527,565
Other (cost \$465,958)	0.1	862,632
Total (cost \$528,775,355)	100.0 %	\$ 573,663,171

SHEPHERD TRADING LIMITED

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

(Expressed in United States Dollars)

December 31, 2004

	Number of Shares or Principal Amount	Percentage of Stockholder's Equity	Market Value
Securities sold short, at market			
Common Stocks			
Basic Materials		14.1 %	\$ 27,297,486
Capital Goods-Manufacturing			
Caterpillar Inc	189,800	9.6	18,507,398
Other		17.1	33,082,472
Consumer Cyclical			
Sears Roebuck and Co	15,000	0.4	765,450
Delta Air Lines	62,174	0.2	465,062
Other		33.1	64,104,841
Consumer Non-Cyclical			
Sears Roebuck and Co	235,725	8.3	16,081,822
Other		37.4	72,450,954
Energy		13.7	26,576,581
Finance		32.3	62,547,580
Media			
Comcast Corp	23,400	0.4	768,456
Other		7.7	14,845,708
Other		6.6	12,696,289
Technology		10.5	20,243,772
Telecommunication			
Yahoo Inc	276,900	5.4	10,433,564
Other		13.3	25,782,558
Transportation		3.6	7,036,566
Utility		2.9	5,660,505
Total Common Stocks (proceeds \$377,367,101)		<u>216.7</u>	<u>419,347,064</u>
Corporate Bonds			
Basic Materials		1.0	1,841,000
Capital Goods-Manufacturing		1.5	2,818,135
Consumer Cyclical		6.9	13,297,700
Consumer Non-Cyclical		2.7	5,550,732
Energy		2.1	4,097,475
Media			
Comcast Cable 7.125% Bond	1,650,000	1.0	1,922,473
Other		2.7	5,188,322
Telecommunication		2.3	4,498,068
Utility		2.7	5,132,282
Total Corporate Bonds (proceeds \$41,762,677)		<u>22.7</u>	<u>44,346,187</u>

See accompanying notes to financial statements.

SHEPHERD TRADING LIMITED

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

(Expressed in United States Dollars)

December 31, 2004

	Number of Shares	Percentage of Stockholder's Equity	Market Value
Securities sold short, at market (continued)			
Options			
Basic Materials		0.0 %	\$ 1,875
Capital Goods-Manufacturing		0.0	9,425
Consumer Cyclical		0.8	1,495,627
Consumer Non-Cyclical		0.7	1,446,951
Finance		0.1	286,521
Media		0.0	36,059
Technology		0.1	250,176
Telecommunication			
Lucent Jan 05 Call @ \$7.5		0.0	51,800
Lucent Jan 05 Call @ \$5		0.0	30,355
Other		1.0	1,867,322
Utility		0.0	12,491
Total Options (proceeds \$12,017,941)		2.8	5,488,602
Total investments in securities (proceeds \$431,147,719)		242.2 %	\$ 469,181,853

The geographical categorization by country of issuer of the value of securities sold short is as follows:

	Percentage of Market Value	Market Value
United States (proceeds \$409,462,326)	95.1 %	\$ 446,342,253
Canada (proceeds \$13,650,498)	3.0	14,060,913
Other (proceeds \$8,034,895)	1.9	8,778,687
Total (proceeds \$431,147,719)	100.0 %	\$ 469,181,853

SHEPHERD TRADING LIMITED

NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

1. Nature of operations and summary of significant accounting policies

Nature of Operations

Shepherd Trading Limited (the "Company") is incorporated under the laws of the British Virgin Islands. The Company is a broker-dealer registered with the Securities and Exchange Commission of the United States of America and is a member of the National Association of Securities Dealers, Inc. The Company's principal operations consist of trading and investing in securities for its own account.

Basis of Presentation

These financial statements are expressed in United States Dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America.

Valuation of Investments in Securities and Securities Sold Short

The Company values investments in securities and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the period. Investments not so listed are valued at the mean between the last reported "bid" and "asked" prices. Convertible securities are valued at their conversion value, if such value more accurately represents the price obtainable for the security. If the securities constitute a block which, in the judgment of management, could not be liquidated in a reasonable time without depressing or inflating the market, such block may be valued by management provided that such value does not exceed, for a long position, or fall below, for a short position, the quoted market price of such security.

Financial Instruments

In the normal course of business, the Company utilizes derivative financial instruments in connection with its proprietary trading activities. The Company records its derivative activities at market or fair value. Gains and losses from derivative financial instruments are included in net gain (loss) on investments in the statement of operations.

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the period end exchange rates. Purchases and sales of investments, income, and expenses that are denominated in foreign currencies are translated into U.S. dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

The Company does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net realized gain (loss) on investments in the statement of operations.

SHEPHERD TRADING LIMITED

NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

1. Nature of operations and summary of significant accounting policies (continued)

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis.

Income Taxes

Under the laws of the British Virgin Islands, the Company is not subject to income taxes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

2. Due from/to broker

Due from broker represents cash held at the broker net of unsettled trades, and may be restricted to the extent that they serve as deposits for securities sold short.

In the normal course of business, substantially all of the Company's marketable securities transactions, money balances and security positions are transacted with a broker. The Company is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on their behalf.

3. Related party transactions

The Company has an agreement with its sole stockholder, Shepherd Investments International, Ltd., to pay a performance fee equal to 20% of the Company's net income.

The Company pays a management fee to Shepherd Investments International, Ltd. The management fee is computed at the annual rate of 1¼%, calculated monthly and paid quarterly, based on the net asset value of the Company as of the last day of each month.

4. Net capital requirements

The Company is a member of the National Association of Securities Dealers, Inc. and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company's net capital was approximately \$50,946,000, which was approximately \$50,737,000 in excess of its minimum requirement.

SHEPHERD TRADING LIMITED

NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

5. Exemption from Rule 15c3-3

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 pursuant to the exemptive provision under sub paragraph (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

6. Off-balance sheet risk

The Company is subject to certain inherent risks arising from its investing activities of selling securities short. The ultimate cost to the Company to acquire these securities may exceed the liability reflected in these financial statements. The Company is not exposed to this risk to the extent it holds offsetting long positions.

7. Financial highlights

Financial highlights for the year ended December 31, 2004 are as follows:

Total return	
Total return before performance fee	1.5 %
Performance fee	(0.3)
Total return after performance fee	<u>1.2 %</u>
Ratio to average net assets	
Operating expenses (including interest and dividends)	14.5 %
Performance fee	0.3
Total expenses	<u>14.8 %</u>
Net investment income (loss)	<u>(6.2) %</u>

Financial highlights are calculated for the Company taken as a whole.