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

SEC FILE NUMBER
B- 066634

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 October 1, 2004 AND ENDING December 31, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Bagpiper Trading, L.L.C.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2 Rector Street, 3rd Floor

(No. and Street)

New York

(City)

NY

(State)

10006

(Zip Code)

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

Alan S. MacKenzie, Jr.

212-659-3940

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Jeff Allen, Hy Allen & Co., CPAs

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

399 Knollwood Drive, Suite 107

(Address)

White Plains

(City)

NY

(State)

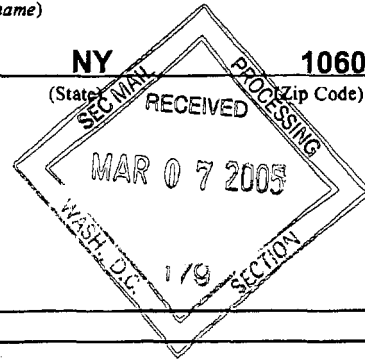
10603

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 29 2005
THOMSON
FINANCIAL



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*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.

BB

1/20/05

OATH OR AFFIRMATION

I, Alan S. MacKenzie, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bagpiper Trading, L.L.C., 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:

Grace Artz Neufeld
Notary Public

Alan S. MacKenzie, Jr.
Signature
**Sole Member of the General Partner
of the Sole Member**
Title

GRACE ARTZ NEUFELD
NOTARY PUBLIC, STATE OF NEW YORK
No. 01AR6071232
QUALIFIED IN RICHMOND COUNTY
COMMISSION EXPIRES MARCH 11, 2006

- 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 Proprietors' 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 15c3-3 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.

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

BAGPIPER TRADING, LLC

FINANCIAL STATEMENTS
December 31, 2004



HY ALLEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

399 KNOLLWOOD ROAD SUITE 107

WHITE PLAINS, NY 10603

HY ALLEN, C.P.A.
JEFFREY N. ALLEN, C.P.A.

TEL 914-428-2480
FAX 914-428-5663

INDEPENDENT AUDITORS' REPORT

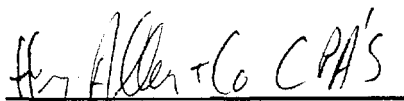
TO THE MEMBER of BAGPIPER TRADING, LLC

We have audited the statement of financial condition of Bagpiper Trading, LLC as of December 31, 2004 and the related statement of operations, statement of cash flows and changes in member's capital for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The condensed schedule of investments as required by accounting principles generally accepted in the United States has not been presented. The condensed schedule requires categorizing investments by type, geographic location, and industry and reporting percentages of net assets by category. The condensed schedule would also include the names, number of shares and value of each investment constituting more than 5% of partners' capital.

In our opinion, except for the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial condition of Bagpiper Trading, LLC as of December 31, 2004, and the results of its operations and cash flow and changes in its member's capital for the three months then ended in conformity with accounting principles generally accepted in the United States.



HY ALLEN & CO., CPA'S

White Plains, New York
February 22, 2005

BAGPIPER TRADING, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004

ASSETS

Current Assets:

Receivable from Broker	\$ 11,947,889
Dividend Receivable	932
Long Securities at Market Value	<u>10,169,692</u>
Total current assets	<u><u>22,118,513</u></u>

Other Assets:

JBO Preferred Stock	<u>50,000</u>
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TOTAL ASSETS	<u><u>\$ 22,168,513</u></u>
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LIABILITIES AND MEMBER CAPITAL

LIABILITIES:

Accounts Payable	\$ 21,424
Dividends Payable on Short Positions	9,294
Short Securities at Market Value	<u>19,917,058</u>

TOTAL LIABILITIES	\$ 19,947,776
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MEMBER CAPITAL	<u>\$ 2,220,737</u>
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TOTAL LIABILITIES AND MEMBER CAPITAL	<u><u>\$ 22,168,513</u></u>
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See accompanying notes.

BAGPIPER TRADING, LLC
STATEMENT OF OPERATIONS
FOR THE PERIOD OCTOBER 1ST TO DECEMBER 31, 2004

INCOME:	
Trading Profits	\$ 509,963
Net Dividends - Trading	13,546
Net Interest - Trading	5,945
Other Dividends	319
Total income	<u>\$ 529,773</u>
EXPENSES:	
Brokers' Fees	\$ 82,036
Professional Fees	17,222
Stock Exchange Expenses	1,755
Office & Administrative Expenses	1,127
Total expenses	<u>\$ 102,140</u>
NET INCOME	<u>\$ 427,633</u>

See accompanying notes.

BAGPIPER TRADING, LLC
STATEMENT OF CHANGES IN MEMBER CAPITAL
FOR THE PERIOD OCTOBER 1ST TO DECEMBER 31, 2004

Opening Capital	\$	0
Capital Contributed 10-1-04		1,793,104
Net Income		427,633
Capital Redemption		<u>0</u>
Ending Capital	\$	<u><u>2,220,737</u></u>

See accompanying notes.

BAGPIPER TRADING, LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD OCTOBER 1ST TO DECEMBER 31, 2004

Cash flows from operating activities:

Net income \$ 427,633

Changes in operating assets and liabilities:

Increase in Receivable from Broker (11,947,889)
Increase in Long Securities (10,169,692)
(Increase) in Dividend Receivable (932)
Increase in Other Assets (50,000)
Increase in Accounts Payables 21,424
Increase in Dividends Payable 9,294
Increase in Short Securities 19,917,058

Total adjustments (2,220,737)

Net cash used for operating activities (1,793,104)

Cash flows from financing activities:

Capital contributions 1,793,104

Net cash provided by financing activities 1,793,104

Net increase (decrease) in cash 0

Cash at beginning of year 0

Cash at end of year \$ 0

See accompanying notes.

**BAGPIPER TRADING, LLC
NET CAPITAL COMPUTATION
DECEMBER 31, 2004**

	<u>BALANCES</u>		<u>VALUATIONS</u>	
	<u>DEBIT</u>	<u>CREDIT</u>	<u>DEBIT</u>	<u>CREDIT</u>
MEMBER CAPITAL, LESS WITHDRAWALS		1,793,104		
POSITION-END OF MONTH:		9,747,366	9,747,366	
OTHER ACCOUNTS NOT ALLOWED:				
JBO	50,000			
PARTNERSHIPS				
OTHER	<u>0</u>			
PROFIT (LOSS) THRU DECEMBER 31, 2004		<u>427,633</u>		
TOTALS	50,000 <u>9,747,366</u>	11,968,103 <u>0</u>	<u>9,747,366</u>	<u>0</u>
TOTALS	<u>9,797,366</u>	11,968,103 <u>9,797,366</u> <u>2,170,737</u>		
HAIRCUTS UNDUE CONCENTRATION		<u>(1,127,742)</u> <u>0</u>		
NET EQUITY		<u>1,042,995</u>		

Note:

There are no material reconciling items between the amounts presented above and the amounts as reported by the Company's unaudited FOCUS Report as of December 31, 2004 as filed on January 25, 2005.

See accompanying notes.

**BAGPIPER TRADING, LLC
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15C3-3
UNDER THE SECURITIES AND EXCHANGE ACT OF 1934
DECEMBER 31, 2004**

As the Company does not carry any customer securities accounts, an exemption under Section K2I, is claimed.

Furthermore, the Company is not subject to possession and control requirements.

See accompanying notes

**BAGPIPER TRADING, LLC
REPORT ON MATERIAL INADEQUACIES
FOR THE PERIOD OCTOBER 1ST TO DECEMBER 31, 2004**

No material inadequacies were found to exist in the financial statements of Bagpiper Trading, LLC for the period October 1st to December 31, 2004

BAGPIPER TRADING, LLC
NOTES TO FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description of the Company

Bagpiper Trading, LLC is a New York limited liability company (the "Company"), which operates as an investment vehicle. Although the Company is authorized to trade a substantially unrestricted range of instruments, the Company initially intends to focus its trading on publicly traded put and call options and warrants on equities and equity indexes and the equities or equity indexes underlying such options. The Company is owned in its entirety by The Bagpiper Fund, L.P.

Generally accepted accounting principles requires a condensed schedule of investments which would include the categorizing of investments by type, geographic location, and industry and reporting percentages of net assets by category. The condensed schedule would also disclose individual investments greater than 5% of member capital. The Sole Member has declined to present this schedule since he feels the information to be proprietary.

B. Method of Reporting

The Company's financial statements are presented in accordance with generally accepted accounting principles, which require the use of certain estimates made by the Company's management. Gains or losses are recognized by closing positions on a mark to market basis.

C. Brokerage Expenses

The Company will bear all expenses arising out of transactions executed, including brokerage commissions. Marketable assets of the Company will be kept in the custody of U.S. and non-U.S. brokerage firms and banks selected by the Sole Member. The Sole Member is under no obligation to deal with any particular broker or group of brokers, and orders for investments by the Sole Member may be placed with a number of brokers and dealers. The Sole Member may choose to retain a "prime" broker, but may replace such prime broker or retain additional brokers in the future. The Sole Member will be responsible for placing the Company's brokerage business and selecting broker/dealers. The Sole Member may consider all relevant factors including, but not limited to the execution capabilities required by the transactions, the importance of speed, efficiency or confidentiality, and familiarity with the sources from whom and to whom particular securities might be purchased or sold.

BAGPIPER TRADING, LLC
NOTES TO FINANCIAL STATEMENTS

D. Income Taxes

The Company prepares calendar year U.S. and state information on tax returns and reports to the member its allocable shares of the Company's income, expenses and trading gains or losses.

E. Custody Concentrations

Balances with broker consist principally of brokerage accounts with Merrill Lynch Professional Clearing Corp.

Note 2. THE SOLE MEMBER

The Company's sole member is The Bagpiper Fund, L.P. The Sole Member has complete responsibility and authority for all aspects of the Company's business and operations, and has full discretionary investment management authority of the Company.

Note 3. NET CAPITAL REQUIREMENT

The Company is a member of the American Stock Exchange and is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and 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 \$1,042,995 (after taking haircut charges), which was approximately \$942,995 in excess of its minimum requirement of \$100,000.

BAGPIPER TRADING, LLC
NOTES TO FINANCIAL STATEMENTS

Note 4. EXEMPTION FROM RULE 15c3-3

The Company is exempt from the SEC Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers." In addition, the Company is not subject to possession and control requirements.