FORM 10-KSB
ANNUAL REPORT
Year Ended September 30, 2004

Hennessy Advisors, Inc.
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2004

_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 001-49872

HENNESSY ADVISORS, INC.
(Exact name of small business issuer as specified in its charter)

California	68-0176227
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
750 Grant Avenue, Suite 100 Novato, California	94945
(Address of principal executive office)	(Zip Code)

(415) 899-1555
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act:
None.

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, no par value

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]   No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to Form 10-KSB. [X]

Total revenues for Fiscal Year 2004 were $9,545,189.

The aggregate market value of the Common Stock of the registrant held by non-affiliates (as affiliates are defined in Rule 12b-2 of the Exchange Act) was $22,779,745, based on the most recent common equity selling price of $26.30 per share, within the last 60 days (December 3, 2004).

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

As of December 10, 2004 there were 1,635,142 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

There are no documents incorporated by reference.

Transitional Small Business Disclosure Format (Check one):

Yes _ No X

HENNESSY ADVISORS, INC.
FORM 10-KSB

For the Fiscal Year Ended September 30, 2004

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

GENERAL

The Company

Hennessy Advisors,Inc.("Hennessy Advisors" or the "Company")provides investment advisory services to our own family of no-load open-ended mutual funds as well as high net worth investors, primarily located in the United States. We generally manage assets on a discretionary basis (i.e., there is no need to seek the client's approval for securities transactions). We invest through a set of quantitative criteria rather than qualitative judgments. Under investment management agreements with the mutual funds described below, fund assets are invested in the stock of public companies and in U.S. Treasury securities, in accordance with a specific strategy designed to meet the investment objective of each fund. Our investment management agreements with high net worth individuals generally give us discretion to invest their funds by applying the same quantitative criteria described below for the fund portfolios, modified in each instance by specific investment criteria supplied by the client. As of September 30, 2004, we managed $1.261 billion in total assets, of which $1.222 billion or 97% were managed on behalf of the mutual funds. Fees generated through management of our mutual fund assets comprise 99% of our total revenues.

Company History

Hennessy Advisors was founded in 1989 as a California corporation under the name Edward J. Hennessy Incorporated. We served mainly individual investors as an NASD broker-dealer. In 1996 we became an investment adviser to no load mutual funds, which we founded as The Hennessy Funds, Inc., building assets under management through the Hennessy Balanced Fund. In 1998 we launched the Hennessy Total Return Fund. Since their inception, a portion of these funds have been managed utilizing the "Dogs of the Dow" investment strategy, periodically purchasing the 10 highest yielding Dow Jones stocks in approximately equal dollar amounts and holding those stocks for one year.

In June of 2000, we acquired the management contracts to two additional mutual funds from Netfolio, Inc. (formerly O'Shaugnessy Capital Management) and obtained the right to use the names and investment strategies of the Hennessy Cornerstone Growth Fund and Hennessy Cornerstone Value Fund. These two no-load open-end mutual funds had approximately $197 million in assets under management at the time of the acquisition. Each of these funds is a series of Hennessy Mutual Funds, Inc. and maintains a 50-stock portfolio selected using formula-based strategies licensed by Netfolio, Inc.

In September of 2003, we acquired the assets of the SYM Select Growth Fund and simultaneously launched our fifth no-load mutual fund, the Hennessy Focus 30 Fund. This fund is an additional series of the Hennessy Mutual Funds, Inc. The SYM Select Growth Fund had approximately $35 million under management when the assets were acquired and merged into the Hennessy Focus 30 Fund.

In March of this year, we acquired the assets of five mutual funds from Lindner Asset Management. This trasaction involved merging the assets of the Lindner Funds into four of our existing mutual funds. The Lindner Funds had approximately $301 million under management at the time of this acquisition.

We derive the majority of our revenue from providing investment advisory services to our family of mutual funds. The management contracts for Hennessy Funds, Inc. and Hennessy Mutual Funds, Inc. are renewable annually. All contracts in force as of September 30, 2004, were renewed by the board of directors of both companies, at their meeting on February 10, 2004. The agreements may be renewed annually, as long as continuance is specifically approved in accordance with the requirements of the Investment Company Act of 1940. Each management agreement will terminate in the event of its assignment, or it may be terminated by Hennessy Mutual Funds (either by the board of directors or by vote of a majority of the outstanding voting securities of that Fund) or by Hennessy Advisors upon 60 days' prior written notice.

Hennessy Advisors bears the expense of fulfillment and providing office space for the all of the Funds. The administrator maintains the books and records and provides clerical and bookkeeping services. Hennessy Advisors, as deemed necessary and without contractual obligation, may voluntarily waive its management fee or subsidize other Fund expenses.

Our fund shares are primarily sold through mutual fund supermarkets. Currently, our principal supermarkets are Schwab One Source, Fidelity, TD Waterhouse and Pershing.

SUMMARY OF INVESTMENT PRODUCTS AND STRATEGIES

Hennessy Balanced Fund (HBFBX)

This Fund seeks capital appreciation and current income. Approximately half of its portfolio is invested in U.S. Treasury bills, having a maturity of approximately one year, and the other half of the portfolio is invested in the ten highest yielding common stocks in the Dow Jones Industrial Average, known as the "Dogs of the Dow" stocks.

Hennessy Total Return Fund (HDOGX)

This Fund seeks a combination of capital appreciation and current income that in the long run exceeds that of the Dow Jones Industrial Average. The Fund's strategy is similar to that of the Hennessy Balanced Fund except that up to 75% of its return is based on the performance of the ten stocks with the highest dividend yield in the Dow Jones Industrial Average, known as the "Dogs of the Dow" stocks. The other 25% is based on the return of U.S. Treasury bills maturing in a year or less.

Hennessy Cornerstone Value Fund (HFCVX)

This Fund seeks total return, consisting of capital appreciation and current income. This Fund consists of a 50 stock portfolio of market leading stocks (those with the highest sales, gross cash, shares outstanding and market values) with the highest dividend yields. The goal of this strategy is to produce a slightly higher rate of return versus the overall market, while taking virtually the same level of risk.

Hennessy Cornerstone Growth Fund (HFCGX)

This Fund seeks long-term growth of capital. The Fund consists of 50 stocks with higher annual earnings than in the previous year, low price-to-sales ratios and strong relative price performance. The goal of this strategy is to produce a higher rate of return versus the overall market, while moderating increased risk through diversification.

Hennessy Focus 30 Fund (HFTFX)

The Focus 30 Fund seeks long-term capital growth through investments in common stock of domestic mid-cap growth companies. The portfolio consists of 30 stocks with market capitalizations between $1.0 billion and $10.0 billion. Additional selection criteria include higher annual earnings than in the previous year, a price to sales ratio of less than 1.5 and a stock price of $5.00 or more. The 30 stocks with the best relative strength over the last three, six and twelve month periods are selected for the portfolio.

Business Strategy

We intend to increase our assets under management and profitability through implementation of the following key strategies:

- Attract investors by marketing our investment style of disciplined and quantitative analysis.
- Expand our distribution network to additional mutual fund supermarkets.
- Expand our current base of registered investment advisors (RIA's) that utilize no-load funds for their clients.
- Secure participation in the platforms of national full service firms that permit their registered representatives to utilize no-load funds for their clients in a wrap fee account.
- Pursue acquisitions. During the fiscal year ended September 30, 2004, we acquired the assets of Lindner Asset Management in the amount of $301 million and merged those assets into four of our existing mutual funds.
- Introduce new funds in the future. We have filed and received approval to open Hennessy Cornerstone Growth Fund Series II.

Description of our Business

Our revenues are largely based on the level of assets under management in our mutual funds. Growth in revenues generally depends on good investment performance which increases assets under management by:

- increasing the value of existing assets under management
- contributing to higher investment and lower redemption rates
- attracting additional investors

Growing our assets under management is also dependent on accessing various distribution channels, which is based on several factors, including performance and service. Fluctuations in financial markets also have a substantial effect on assets under management and the results of our operations. Advisory fees from the mutual funds are computed daily based on their respective assets under management. Shareholders of our mutual funds are allowed to exchange shares among the funds as economic conditions, market conditions and investor needs change. Shareholders must pay a 1.5% exchange fee if they have not owned the fund shares for 90 days when they make an exchange. A redemption fee of 1.5% is charged to shareholders who withdraw funds before 90 days as well.

Our marketing efforts for the mutual funds are currently focused on increasing the distribution and sales of our existing funds. We believe that our marketing efforts for the mutual funds will continue to generate additional revenues from investment advisory fees. Initially, we distributed our mutual funds by using a variety of direct response marketing techniques, including trade shows and articles published in business periodicals. Beginning in late 1996, our mutual funds were offered through no transaction fee programs (NTF programs). A no transaction fee program means that the mutual fund customer does not pay a transaction fee. Rather, fees are paid by the mutual fund itself, its investment advisor or its distributor. NTF programs have become an increasingly important source of asset growth. Of the $1.222 billion of assets under management in the mutual funds as of September 30, 2004, approximately 64% were generated from NTF programs.

We provide investment advisory and management services pursuant to an investment management agreement with each mutual fund. The management agreement may continue in effect from year to year only if specifically approved at least annually by the mutual funds' Board of Directors. While the specific terms of the investment management agreements vary to some degree, the basic terms of the agreements are similar. The investment management agreements generally provide that we are responsible for overall investment and management services, subject to the oversight of each mutual fund's Board of Directors (comprised of 75% independent directors) and in accordance with each mutual fund's fundamental investment objectives and policies.

Currently, Hennessy Advisors participates in two "soft dollar" arrangements in which we receive research reports and real time electronic research in order to assist us in trading and managing our mutual funds. Soft dollar arrangements involve paying brokerage commissions for securities trades on behalf of a client where the commissions may be higher than those obtained elsewhere, in exchange for research or other services that also benefit other clients. The value of the research we receive under our soft dollar arrangements is approximately $70,000 per annum.

Competition

The finanical services industry, in particular the mutual fund industry, is highly competitive. There are more than 8,200 open-end investment companies of every size and of every type. We directly compete with investment advisors and securities firms of all sizes, from small boutique firms to large financial service complexes. Competition is influenced by various factors, including product offering, level of service and price. All aspects of our advisory business are competitive, including competition for assets to manage. The investment advisory industry is characterized by relatively low cost of entry and by the formation of new investment advisory entities which may compete directly with us. While large national firms, often with more personnel, have greater marketing, financial, technical, research, and other capabilities, we have learned that we can hold our own with these entities by "branding" our investment style through public relations and outstanding customer service. Many of the larger firms offer a broader range of financial services than we do and compete not only with us and among themselves, but also with commercial banks, insurance companies and others for retail and institutional clients. The investment funds we manage are similarly subject to competition from nationally and regionally distributed funds offering equivalent financial products with returns equal to or greater than those we offer.

A large number of investment products including closed-end companies and mutual funds, are sold to the public by investment management firms, broker/dealers, insurance companies and banks in competition with the investment products we offer. Many of our competitors apply substantial resources to advertising and marketing their investment products. The competition for new investors is intense, but we feel that by increasing our funds' distribution channels and continuing to brand our investment style, we can capture portions of the investment business available. We expect that there will be increasing pressures among investment advisors to obtain and hold market share.

Regulation

Virtually all aspects of our business are subject to federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of registered investment companies. Agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit an adviser from carrying on its business in the event that it fails to comply with applicable laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures, and fines. We believe that we are in compliance with all material laws and regulations.

Our business is subject to regulation and examination at both the federal and state level by the SEC and other regulatory bodies. We are registered with the SEC under the Investment Advisers Act, and the mutual funds are registered with the SEC under the Investment Company Act. Discussion of the financial impact of full compliance with new SEC regulations is included in Item 6, "Management's Discussion and Analysis, Risk Factors".

The Investment Advisers Act imposes numerous obligations on registered investment advisers including fiduciary duties, record keeping requirements, operational requirements, marketing requirements and disclosure obligations. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from censure to termination of an investment adviser's registration. Our failure to comply with the SEC requirements could have a material adverse effect on us. We believe we are in compliance with the requirements of the SEC.

We derive most of our revenues from investment advisory services. Under the Investment Advisers Act, our investment management agreements terminate automatically if assigned without the client's consent. Under the Investment Company Act, management agreements with registered investment companies, such as the mutual funds, terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in Hennessy Advisors. As of September 30, 2004, there have been no assignment transactions.

EMPLOYEES

As of September 30, 2004, there were ten employees at Hennessy Advisors, Inc. (all full-time).

Neil J. Hennessy is the Chairman of the Board, President, Chief Executive Officer and Portfolio Manager. Teresa M. Nilsen is an Executive Vice President, Chief Financial Officer, Secretary and a Director. Daniel B. Steadman is an Executive Vice President in charge of expansion and a Director. Frank Ingarra is responsible for stock trading and is the Assistant Portfolio Manager of our mutual funds. Other employees include Tania Kelley, Marketing Director; Harry Thomas, Chief Compliance Officer; Brian Peery, Wholesaler/Salesman; Ralph Hayward, Controller; Ana Miner, Operations Specialist; and, Jill Lear, Human Resources and Marketing Associate.

In August, 2004 we hired Harry Thomas as our Chief Compliance Officer. Rule 204(6) of the Investment Advisers Act of 1940 is the Securities and Exchange Commission regulation that required every SEC Registered Investment Adviser to hire a Chief Compliance Officer by October 5, 2004. In order to comply with that regulation and in order to enhance our commitment to compliance, we hired Mr. Thomas to perform the duties of our Chief Compliance Officer. Mr. Thomas gained extensive financial industry experience with Wells Fargo and Bank of America, and from his former positions as Director and Audit Committee Chairman for the Hennessy Funds/Hennessy Mutual Funds Board of Directors.

ITEM 2. DESCRIPTION OF PROPERTY.

Business offices are located in leased facilities at 750 Grant Avenue, in Novato, California. There are three suites (#100,#150 and #275) covered under a single lease. The lease expires October 1, 2005 and there are five 2-year extensions available, which if exercised, would provide existing facilities through October, 2015.

ITEM 3. LEGAL PROCEEDINGS.

There are no existing, pending or threatened legal proceedings involving Hennessy Advisors, Inc., the mutual funds they manage or against any of our officers or directors as a result of their involvement with the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of security holders during the quarter ended September 30, 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The common stock of Hennessy Advisors, Inc. is traded over the counter and is quoted by the Over The Counter Bulletin Board (OTCBB) under the trading symbol HNNA. Our common stock began trading on the OTCBB effective July 15, 2002.

The high and low sales prices for our common stock on the OTCBB during the quarter ended September 30, 2004 were $25.50 and $23.50, respectively, as reported by Reuters. Quarterly high and low sales prices for each quarter since trading began in July, 2002, were as follows:

Quarter Ended:	High	Low
- September 30, 2004	$25.50	$23.50
- June 30, 2004	$26.00	$22.00
- March 31, 2004	$28.00	$18.75
- December 31, 2003	$21.00	$13.00
- September 30, 2003	$15.00	$12.00
- June 30, 2003	$13.00	$11.00
- March 31, 2003	$11.00	$11.00
- December 31, 2002	$11.00	$10.30
- September 30, 2002 (issue price, no sales)	$10.00	$10.00

HOLDERS

As of September 30, 2004, the approximate number of holders of record of Common Stock of the Company was 493.

DIVIDENDS

We have not declared any dividends on our common stock and do not anticipate paying dividends in the foreseeable future. We plan to retain future earnings for use in our business. Any decisions as to future payment of dividends will depend on earnings and financial position and such other factors as the Board of Directors deems relevant. In addition, our loan agreement with US Bank, dated March 15, 2004, limits our ability to pay dividends.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Overview

Hennessy Advisors, Inc. ("Hennessy Advisors"), a California corporation, is a publicly traded investment management firm. The Company's principal business activity is managing and marketing mutual funds. Hennessy Advisors is the investment manager of the Hennessy Funds, a family of five no-load mutual funds. Each of the Hennessy Funds employs a unique mutual fund money management approach combining time-tested stock selection formulas.

Neil J. Hennessy, Chairman, President and CEO of Hennessy Advisors also serves as the Portfolio Manager, President and Director of the Hennessy Funds. In the past, Mr. Hennessy served as an expert witness and mediator in securities cases, however he has significantly limited those activities. Hennessy Advisors, under the direction of Neil Hennessy, provides advisory services to the Hennessy Funds, including investment research, supervision of investments, conducting investment programs, including evaluation, sale and reinvestment of assets, the placement of orders for purchase and sale of securities, solicitation of brokers to execute transactions and the preparation and distribution of reports and statistical information.

Hennessy Funds pay fees to Hennessy Advisors for these services, which are charged as a percentage of the average daily net value of the assets under management in the funds. Fees paid to Hennessy Advisors are based on the value of the funds managed and fluctuate with changes in the total value of the assets under management. Hennessy Advisors' total assets under management were $1.261 billion as of September 30, 2004, of which $1.222 billion were mutual fund assets. Hennessy Advisors also provides shareholder servicing for the Hennessy Funds, which consists primarily of providing a call center to respond to shareholder inquiries, including specific mutual fund account information.

Hennessy Advisors' principal business activities are affected by many factors, including redemptions by mutual fund shareholders, general economic and financial conditions, movement of interest rates and competitive conditions. Although we seek to maintain cost controls, a significant portion of our expenses are fixed and do not vary greatly. As a result, substantial fluctuations can occur in our revenue and net income from period to period.

Hennessy Advisors distributes its funds through third-party broker/dealers and independent financial institutions such as Charles Schwab, Inc., Fidelity, TD Waterhouse and Pershing. These distribution platforms are considered an integral part of Hennessy Advisors' sales/distribution strategy. Hennessy Advisors participates in "no transaction fee" ("NTF") programs with these companies, which allow customers to purchase the Hennessy Funds through third party distribution channels without paying a transaction fee. The use of "NTF" programs and expansion of these programs have been, and continue to be, an important part of our business growth strategy. Hennessy Advisors compensates these third party distributors under a pre-determined contractual agreement.

The principal assets on our balance sheet represent the capitalized costs of investment management contracts with all five mutual funds. As of September 30, 2004, the management contracts asset had a net balance of $14,142,520, including the capitalized Lindner transaction, which began on February 27, 2004 and completed on March 11, 2004 with a total cost of $8,464,931.

The principal liability on our balance sheet is the long-term debt incurred for the acquisition of the Lindner Funds contract. On March 11, 2004, Hennessy Advisors, Inc. secured financing from US Bank National Association to acquire the management contracts for certain Lindner funds. The agreement requires fifty-nine (59) monthly payments in the amount of $94,060 plus interest at the bank's prime rate as it may change from time to time (5.0% effective November 10, 2004). The final installment of the then outstanding principal and interest is due March 10, 2009.

RESULTS OF OPERATIONS

The following table reflects items in the Statements of Income as dollar amounts and as percentages of total revenue for the years ended September 30, 2004 and 2003:

	Years Ended September 30,			
	2004		2003	
	Amounts	Percent of Total Revenue	Amounts	Percent of Total Revenue
Revenue:				
Investment advisory fees	$ 8,500,245	89.1%	$4,192,176	87.6%
Shareholder service fees	1,014,467	10.6	547,297	11.4
Expert witness fees	-	-	7,150	0.1
Other	30,477	0.3	40,905	0.9
Total revenue	9,545,189	100.0	4,787,528	100.0
Operating expenses:				
Compensation and benefits	2,016,895	21.1	1,330,645	27.8
General and administrative	871,804	9.1	641,718	13.4
Mutual fund distribution	1,849,977	19.4	1,010,802	21.1
Amortization and depreciation	33,274	0.4	21,161	0.4
Total operating expenses	4,771,950	50.0	3,004,326	62.7
Operating income	4,773,239	50.0	1,783,202	37.3
Interest expense	177,433	1.9	-	-
Income before income tax expense	4,595,806	48.1	1,783,202	37.3
Income tax expense	1,830,800	19.1	721,214	15.1
Net income	$ 2,765,006	29.0%	$1,061,988	22.2%

Total revenue increased $4,757,661 (+99.4%) in the year ended September 30, 2004, from $4,787,528 last year, due to fees earned from increased mutual fund assets under management, primarily resulting from acquisition of assets from Lindner Asset Management, Inc., and higher market valuations. Total assets in the mutual funds we manage increased $386.9 million to $1.222 billion as of September 30, 2004, compared to $835.1 million as of September 30, 2003 (+46.3%). Cash inflows (including the Lindner acquisition of $301.0 million), were $601.0 million, redemptions were $335.3 million and market valuations increased $121.2 million. The revenue we earn from the funds we manage increased $4,308,069 (+102.8%) in the year ended September 30, 2004, while shareholder service fees increased $467,170 (+85.4%).

There were no expert witness fees earned in the year ended September 30, 2004, a decrease of $7,150 from the year ended September 30, 2003. Mr. Hennessy is working in a limited capacity as a securities litigation mediator, devoting the majority of his time to managing Hennessy Advisors, Inc.

Total operating expenses increased $1,767,624 (+58.8%) in the year ended September 30, 2004, from $3,004,326 last year. The increase resulted from higher compensation expense, increases in several components of general and administrative expense and mutual fund distribution costs. As a percentage of total revenue, total operating expenses decreased to 50.0% in the year ended September 30, 2004, compared to 62.7% in the prior comparable period.

Compensation and benefits increased $686,250 (+51.6%) in the year ended September 30, 2004, from $1,330,645 in the prior comparable period. The increase resulted from the addition of a marketing director and chief compliance officer, and salary increases and performance incentives for officers and staff. As a percentage of total revenue, compensation and benefits decreased to 21.1% for the year ended September 30, 2004, compared to 27.8% in the prior comparable period.

General and administrative expense increased $230,086 (+35.9%), in the year ended September 30, 2004, from $641,718 in the year ended September 30, 2003, due to increases in business promotion activities, marketing programs, participation in industry conferences, insurance costs and office rent. As a percentage of total revenue, general and administrative expense decreased to 9.1% in the year ended September 30, 2004, from 13.4% in the prior comparable period.

Mutual fund distribution expenses increased $839,175 (+83.0%) in the year ended September 30, 2004, from $1,010,802 in the year ended September 30, 2003. As a percentage of total revenue, distribution expenses decreased to 19.4% for the year ended September 30, 2004, compared to 21.1% in the prior comparable period. The value of mutual fund assets to which distribution expenses relate increased approximately 12% from September 30, 2003 to September 30, 2004, however, total assets under management increased 46%, indicating that the proportion of assets held by NTF providers has declined in relation to assets held at other financial institutions. This change in proportion has lowered the percentage of NTF expenses in relation to total revenues.

Amortization and depreciation expense increased $12,113 in the year ended September 30, 2004, from $21,161 for the year ended September 30, 2003, resulting from amortization of loan acquisition costs and additional purchases of furniture and equipment.

Interest expense of $177,433 was generated from the $7.9 million US Bank loan used to acquire assets from Lindner Asset Management, Inc. Interest accrues at the prime rate in effect as it may change from time to time (5.0% effective November 10, 2004).

For the year ended September 30, 2004, the provision for income taxes increased $1,109,586 resulting from an increase in pre-tax income of $2,812,604.

Net income increased $1,703,018 to $2,765,006 in the year ended September 30, 2004, compared to $1,061,988 in the prior comparable period, as a result of the factors discussed above.

Liquidity and Capital Resources

As of September 30, 2004, Hennessy Advisors, Inc. had cash and cash equivalents of $4,568,323.

With the exception of property and equipment and management contracts acquired, which amount to a combined $14,230,612 as of September 30, 2004, the remaining assets are very liquid, consisting primarily of cash and receivables derived from mutual fund asset management activities. Total assets as of September 30, 2004 were $19,913,879, compared to $9,148,863 at September 30, 2003, an increase of $10,765,016 or 117.7%.

Capital requirements for Hennessy Advisors, Inc. are continually reviewed to ensure that sufficient funding is available to support business growth strategies. The management of Hennessy Advisors, Inc. anticipates that cash and other liquid assets on hand as of September 30, 2004 will be sufficient to meet short-term capital requirements. To the extent that liquid resources and cash provided by operations are not adequate to meet long-term capital requirements, management plans to raise additional capital through debt and/or equity markets. There can be no assurance that Hennessy Advisors, Inc. will be able to borrow funds or raise additional equity.

In September 2003, Hennessy Advisors, Inc., acquired the mutual fund assets of the SYM Select Growth Fund (SYM) which was a Mid-cap growth fund with $34.7 million in assets under management. On September 18, 2003, the acquisition transaction was completed and assets of the SYM Select Growth Fund were merged into the Hennessy Focus 30 Fund. The acquisition was funded through cash from Hennessy Advisors, Inc. in the amount of $629,413 and an interest free note from SYM Financial Corporation, in the amount of $527,912. The note was paid in full in September 2004.

On March 11, 2004, Hennessy Advisors, Inc. secured financing from US Bank National Association to acquire the management contracts for certain Lindner funds. The agreement requires fifty-nine (59) monthly payments in the amount of $94,060 plus interest at the bank's prime rate as it may change from time to time (5.0% effective November 10, 2004). The final installment of the then outstanding principal and interest is due March 10, 2009

Critical Accounting Policies

In June of 2001 the Financial Accounting Standards Board issued FASB Statement No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB No, 17, Intangible Assets. Under FASB Statement No. 142, goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. The Company considers the management contracts acquired to be intangible assets with an indefinite life. The Company fully implemented the provisions of FASB Statement No. 142 on October 1, 2002 at which time it ceased amortization on these intangible assets. Impairment analysis is conducted quarterly and coincides with our financial reporting on Forms 10-QSB and 10-KSB. Based on our detailed assessment of current fair market value, the value of the management contracts acquired has not been impaired. If future valuations in the marketplace decline significantly, the valuation of management contracts acquired may become impaired and net earnings would be negatively impacted by the resulting impairment adjustment.

Forward Looking Statements

Certain statements in this report are forward-looking within the meaning of federal securities laws. Although management believes that the expectations reflected in the forward-looking statements are reasonable, future levels of activity, performance or achievements cannot be guaranteed. Factors that may affect the Company's actual results include those described below under "Risk Factors." There is no regulation requiring an update of any of the forward-looking statements after the date of this report to conform these statements to actual results or to changes in our expectations.

Risk Factors

-Our revenues will decline if the value of the securities held by the mutual funds we manage declines.

We derive our revenues primarily from advisory fees paid by the mutual funds we manage. These advisory fees are based on a percentage of the value of the assets of the funds. For the year ended September 30, 2004, 99% of our revenues were advisory and shareholder service fees. The securities markets in general have experienced significant volatility in recent years. Volatility in the securities markets in general, and the equity markets in particular, could reduce our assets under management and consequently, reduce our revenues. In addition to declines in the equity markets, failure of these markets to sustain prior levels of growth, or continued short-term volatility in these markets could result in investors withdrawing from the mutual funds we manage or decreasing their rate of investment, either of which would be likely to adversely affect us.

-Our management fees are based on the value of our assets under management, which are subject to significant fluctuations.

Global economic conditions, interest rate fluctuations, inflation rate increases and other factors that are difficult to predict affect the mix, market values, and levels of our assets under management. The Hennessy Balanced Fund and Hennessy Total

Return Fund invest approximately 50% of their portfolios in U.S. Treasury securities with one year maturities. Fluctuations in interest rates affect the value of such fixed-income assets under management. In turn, this affects our management fees. Similarly, all five of our funds are affected by changes in the equity marketplace, which may significantly affect the level of our assets under management. The factors above often have inverse effects on equity assets and fixed-income assets, making it difficult for us to predict the net effect of any particular set of conditions on our business and to decide effective strategies to counteract those conditions.

-Poor investment performance by our mutual funds could decrease sales of our funds.

Success in the investment management and mutual fund business is dependent on investment performance as well as distribution and client servicing. Good performance generally stimulates sales of our investment products and tends to keep withdrawals and redemptions low, generating higher management fees (which are based on the amount of assets under management). Conversely, relatively poor performance tends to result in decreased sales, increased withdrawals and redemptions, with corresponding decreases in our revenues. Many analysts of the mutual fund industry believe that investment performance is the most important factor for the growth of no-load mutual funds. Failure of our investment products to perform well could, therefore, have a material adverse effect . For any period in which revenues decline, our profits and profit margins may decline by a greater proportion because certain expenses remain relatively fixed.

-Our failure to comply with regulatory requirements may harm our financial condition.

Our investment management activities are subject to client guidelines, and our mutual fund business involves compliance with numerous investment, asset valuation, distribution, and tax requirements. Failure to adhere to these guidelines or satisfy these requirements could result in losses, which a client could recover from us. We have installed procedures and utilize the services of experienced administrators, accountants and lawyers to assist in satisfying these requirements. However, there can be no assurance that such precautions will protect us from potential liabilities.

Our business is subject to extensive regulation in the United States, particularly by the Securities and Exchange Commission. Our failure to comply with applicable laws or regulations could result in fines, suspensions of personnel or other sanctions, including revocation of our registration as an investment adviser. Changes in laws or regulations or in governmental policies could have a material adverse effect on us. See "Business -- Regulation."

-The expense of full compliance with new securities regulations will reduce earnings.

In order to comply with regulations we may have additional expenses beyond our control and those expenses will have a substantial impact on earnings per share. On October 5, 2004 Rule 206(4)-7 of the Investment Advisors Act of 1940 required the Company to hire a Chief Compliance Officer (CCO). Simultaneously, Rule 38-(a) of the Investment Company Act of 1940 (pertaining to mutual fund companies) also required Hennessy Funds to hire a Chief Compliance Officer. This new CCO is responsible for providing reasonable assurance that both the Company and Hennessy Funds comply with all securities laws. The board of directors of the mutual fund companies are responsible for the appointment and/or the removal of the CCO. The mutual fund directors also set the compensation for the CCO. This specific regulation serves as an example of our inability to control every aspect of compliance expenditures. In addition to the hiring of a CCO, the new compliance procedures and policies that must be adopted with Sarbanes-Oxley legislation will also increase our expenses. There will be increases in audit, legal, internal technology, and other expenses associated with the systematization of Sabanes-Oxley regulations and the resulting impact on financial reporting.

-Our investment management agreements can be terminated on short notice.

Substantially all of our revenues are derived from investment management agreements. Investment management agreements with our mutual funds are terminable without penalty on 60 days' notice and must be approved at least annually by the disinterested members of each mutual fund's board of directors or trustees. If any of our investment management agreements are terminated or not renewed, our revenues could materially decline.

-We face intense competition from larger companies.

The investment management business is intensely competitive, with low barriers to entry, and is undergoing substantial consolidation. Many organizations in this industry are attempting to market to and service the same clients as we do, not only with mutual fund products and services, but also with a wide range of other financial products and services. Many of our competitors have greater distribution capabilities, offer more product lines and services, and may also have a substantially greater amount of assets under management and financial resources. These competitors would tend to have a substantial advantage over us during periods when our investment performance is not strong enough to counter these competitors' greater marketing resources.

-Market pressure to lower our advisory fees would reduce our profit margin.

There has been a trend toward lower fees in some segments of the investment management industry. In order for us to maintain our fee structure in a competitive environment, we must be able to provide our mutual fund shareholders with investment returns and service that will encourage them to pay our fees. There can be no assurance that we will be able to maintain our current fee structure. Fee reductions on existing or future business could have an adverse impact on our results of operations.

-We may be required to forego all or a portion of our fees under our investment management agreements with the mutual funds.

Market conditions may require that we waive our investment advisory fees from the mutual funds we manage to the extent that the mutual fund's operating expenses, including our fees (but excluding interest, taxes, brokerage commissions and extraordinary expenses such as litigation), exceed competitive expense limitations. We monitor ratios of expenses to average assets under management and waive advisory fees if we believe that our ratios might lead fund investors to redeem their shares in our mutual funds in order to seek lower expense ratios with other fund managers.

-We depend upon Neil J. Hennessy to manage our business. The loss of Mr. Hennessy may adversely affect our business and financial condition.

Our success is largely dependent on the skills, experience and performance of key personnel, particularly Neil J. Hennessy, our chairman, chief executive officer and president, who is the driving force in our company's success. Mr. Hennessy is primarily responsible for the day-to-day management of the portfolio of each of our mutual funds and for developing and executing each fund's investment programs. The loss of Mr. Hennessy could have an adverse effect on our business, financial condition and results of operations.

-Changes in the distribution channels on which we depend could reduce our revenues and slow our growth.

We derive a significant portion of our sales through investment advisors who utilize no transaction fee programs (mutual fund supermarkets). A no transaction fee program means that the mutual fund customer does not pay a transaction fee. Rather, fees are paid by the mutual fund itself or its investment advisor or distributor. Increasing competition in these distribution channels has caused our distribution costs to rise and could cause further increases in the future. Higher distribution costs lower our earnings. Moreover, our failure to maintain strong business relationships with these advisors would impair our ability to distribute and sell our products, which would have a negative effect on our level of assets under management, related revenues and overall financial condition.

-Our officers and directors own enough of our shares to significantly influence our company, which will limit the ability of other shareholders to influence corporate matters.

Our officers and directors own 52.9% of our outstanding common stock. As a result, these stockholders will be able to significantly influence the outcome of any matter requiring a stockholder vote and, as a result, our management and affairs. Matters that typically require stockholder approval include the following:

- election of directors.
- merger or consolidation with another company.
- sale of all or substantially all of our assets.

-Acquisitions, which are part of Hennessy's business strategy, involve inherent risks that could result in adverse effects on Hennessy's operating results and financial condition and dilute the holdings of current stockholders.

As part of Hennessy's business strategy, Hennessy intends to consider acquisitions of similar or complementary businesses. If Hennessy misjudges the value, strengths, weaknesses, liabilities or potential profitability of acquisition candidates, or is unsuccessful in integrating the operations of the acquired businesses, Hennessy may not achieve the expected return on investment in the acquired businesses, which could have a material adverse effect on Hennessy's operating results and financial condition. Any future acquisitions would be accompanied by the risks commonly associated with acquisitions.

These risks include, among others:

- Inability to secure enough shareholder votes to gain approval of a proposed acquisition.
- Potential exposure to unknown liabilities of acquired companies and to acquisition costs and expenses.
- The difficulty and expense of integrating the operations and personnel of the acquired companies.
- The potential disruption to the business of the combined company and potential diversion of management's time and attention.
- The possible loss of key employees and clients as a result of the changes in management.
- Dilution to stockholders if the acquisition were made with the Company's common stock.
- The possible loss of mutual fund assets resulting in the impairment of management contract valuations.

In addition, the products and technologies of acquired companies may not be effectively assimilated into Hennessy's business, and product offerings of combined companies may not have a positive effect on combined revenues or earnings. Combined companies may also incur significant expense to complete acquisitions and to support the acquired products and businesses. Furthermore, any such acquisitions may be funded through cash, debt, equity or through some combination of these resources, which could have the effect of diluting or otherwise adversely affecting the holdings or the rights of stockholders. Finally, Hennessy may not be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms.

ITEM 7. FINANCIAL STATEMENTS

Index to Financial Statements:

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Hennessy Advisors, Inc.:

We have audited the accompanying balance sheet of Hennessy Advisors, Inc. (the "Company") as of September 30, 2004 and 2003, and the related statements of income, changes in stockholders' equity, and cash flows for the years 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 audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Company's financial position as of September 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pisenti & Brinker LLP
Petaluma, California

November 4, 2004

Hennessy Advisors, Inc.
Balance Sheets
September 30, 2004 and September 30, 2003

	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 4,568,323	$ 2,802,117
Investments in marketable securities, at fair value	4,582	4,372
Investment fee income receivable	831,371	562,743
Prepaid expenses	65,004	36,192
Other current assets	24,413	-
Total current assets	$ 5,493,693	$ 3,405,424
Property and equipment, net of accumulated depreciation of $100,200 and $73,590	$ 88,092	$ 46,212
Management contracts, net of accumulated amortization of $628,627	14,142,520	5,637,943
Deferred income tax assets	126,900	51,000
Other assets	62,674	8,284
Total assets	$ 19,913,879	$ 9,148,863
Liabilities and Stockholders' Equity		
Current liabilities:		
Accrued liabilities and accounts payable	$ 1,416,505	$ 633,333
Income taxes payable	772	0
Note payable	-	527,912
Current portion of long-term debt	1,128,721	-
Total current liabilities	$ 2,545,998	$ 1,161,245
Long-term debt	$ 6,207,967	$ -
Deferred income tax liabilities	452,200	151,000
Total liabilities	$ 9,206,165	$ 1,312,245
Stockholders' equity:		
Adjustable rate preferred stock, $25 stated value, 5,000,000 shares authorized: zero shares issued and outstanding	$ -	$ -
Common stock, no par value, 15,000,000 shares authorized: 1,635,142 shares issued and outstanding at September 30, 2004 and 1,626,142 at September 30, 2003	6,881,205	6,788,205
Additional paid-in capital	37,098	24,008
Retained earnings	3,789,411	1,024,405
Total stockholders' equity	$ 10,707,714	$ 7,836,618
Total liabilities and stockholders' equity	$ 19,913,879	$ 9,148,863

See accompanying notes to financial statements

Hennessy Advisors, Inc.
Statements of Income
Years Ended September 30, 2004 and 2003

	2004	2003
Revenue		
Investment advisory fees	$ 8,500,245	$ 4,192,176
Shareholder service fees	1,014,467	547,297
Expert witness fees	-	7,150
Other	30,477	40,905
Total revenue	9,545,189	4,787,528
Operating expenses		
Compensation and benefits	2,016,895	1,330,645
General and administrative	871,804	641,718
Mutual fund distribution	1,849,977	1,010,802
Amortization and depreciation	33,274	21,161
Total operating expenses	4,771,950	3,004,326
Operating income	4,773,239	1,783,202
Interest expense	177,433	-
Income before income tax expense	4,595,806	1,783,202
Income tax expense	1,830,800	721,214
Net income	$ 2,765,006	$ 1,061,988
Basic earnings per share	$ 1.70	$ 0.65
Diluted earnings per share	$ 1.63	$ 0.65

See accompanying notes to financial statements

Hennessy Advisors, Inc.
Statements of Changes in Stockholders' Equity
Years Ended September 30, 2004 and 2003

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
Balances as of September 30, 2002	1,626,142	$ 6,788,205	$ 24,008	$ (37,583)	$ 6,774,630
Net income for the year ended September 30, 2003	-	-	-	1,061,988	1,061,988
Balances as of September 30, 2003	1,626,142	$ 6,788,205	$ 24,008	$ 1,024,405	$ 7,836,618
Net income for the year ended September 30, 2004	-	0	0	2,765,006	2,765,006
Employee stock options exercised	9,000	93,000	-	-	93,000
Tax benefit of employee stock sales	-	-	13,090	-	13,090
Balances as of September 30, 2004	1,635,142	$ 6,881,205	$ 37,098	$ 3,789,411	$ 10,707,714

See accompanying notes to financial statements

Hennessy Advisors, Inc.

Statements of Cash Flows

Years Ended September 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Net income	$ 2,765,006	$ 1,061,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,274	21,161
Deferred income taxes	225,300	119,695
Tax benefit from exercise of employee stock options	13,090	-
Unrealized gains on marketable securities	(130)	(467)
(Increase) decrease in operating assets:		
Investment fee income receivable	(268,628)	(332,724)
Expert witness fees receivable	-	21,745
Prepaid expenses	(28,812)	(14,421)
Other current assets	(24,413)	7,400
Increase (decrease) in operating liabilities:		
Accrued liabilities and accounts payable	783,171	508,117
Income taxes payable	772	(33,168)
Net cash provided by operating activities	3,498,630	1,359,326
Cash flows used in investing activities:		
Purchases of property and equipment	(68,491)	(25,050)
Purchases of investments	(80)	(75)
Payments related to acquisition of management contracts	(8,504,577)	(629,143)
Net cash used in investing activities	(8,573,148)	(654,268)
Cash flows provided by financing activities:		
Proceeds from long-term debt	7,861,544	-
Principal payments on note payable	(527,912)	-
Principal payments on long-term debt	(564,360)	-
Payment of loan acquisition costs	(21,548)	-
Proceeds from exercise of employee stock options	93,000	-
Net cash provided by financing activities	6,840,724	-
Net increase in cash and cash equivalents	1,766,206	705,058
Cash and cash equivalents at the beginning of the period	2,802,117	2,097,059
Cash and cash equivalents at the end of the period	$ 4,568,323	$ 2,802,117
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	$ 1,583,924	$ 642,401
Interest	$ 157,629	$ -
Non-cash investing and financing transactions:		
Management contract acquired with note payable to SYM Financial Corporation	$ -	$ 527,912
Loan acquisition costs withheld from long-term debt proceeds	$ 39,505	$ -

See accompanying notes to financial statements

(1) Summary of the Organization and Significant Accounting Policies

(a) Organization

Hennessy Advisors, Inc. (the "Company") was founded on February 1, 1989, as a California corporation under the name Edward J. Hennessy, Incorporated. In 1990, the Company became a registered investment advisor and on April 15, 2001, the Company changed its name to Hennessy Advisors, Inc.

The operating activities of the Company consist primarily of providing investment management services to five open-end mutual funds (the Hennessy Funds). The Company serves as the investment advisor to the Hennessy Balanced Fund, the Hennessy Total Return Fund, the Hennessy Cornerstone Value Fund, the Hennessy Cornerstone Growth Fund and the Hennessy Focus 30 Fund.

(b) Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments which are readily convertible into cash.

(c) Investments in Marketable Securities

The Company holds investments in publicly traded mutual funds which are accounted for as trading securities under FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Accordingly, any unrealized gains and losses on the investments are recognized currently in operations.

Dividend income is recorded on the ex-dividend date. Purchases and sales of marketable securities are recorded on a trade date basis, and realized gains and losses recognized on sale are determined on a specific identification/average cost basis.

(d) Management Contracts Acquired

The Company was appointed as investment advisor to the Hennessy Cornerstone Growth Fund and Hennessy Cornerstone Value Fund concurrent with its acquisition of patented automated investment strategies from Netfolio, Inc.

The initial management contracts acquired were capitalized at $4,190,840. In February of 2002, the Company recorded $918,675 as the incremental value of management contracts acquired in connection with its mergers with Hennessy Management Co. L.P. and Hennessy Management Co. 2 L.P. In accordance with FASB Statement No. 142, intangible assets with an indefinite life acquired after June 30, 2001 are not subject to amortization. Accordingly, the Company has not recorded any amortization for the value of the contracts acquired in connection with the mergers of the partnerships.

On September 18, 2003, the Company was appointed investment advisor to the Hennessy Focus 30 Fund, concurrent with the acquisition of all the assets of the SYM Select Growth Fund, which were immediately merged into the Hennessy Focus 30 Fund.

On March 11, 2004, Hennessy Advisors, Inc. completed the acquisition of the management contract for the majority of the mutual fund assets managed by Lindner Asset Management, Inc. ("Lindner"), based in Deerfield, Illinois. In conjunction with the Asset Purchase Agreement, the assets of five of Lindner's mutual funds were merged into four of the five Hennessy Funds. The purchase price was equal to 2.625% of those assets valued by the Lindner Funds custodian at closing. The transaction was funded through a credit facility provided by US Bank, St. Louis, Missouri. The loan agreement requires fifty-nine (59) monthly payments in the amount of $94,060 plus interest at the bank's prime rate which may change from time to time (5.0% effective November 10, 2004). The final installment of the then outstanding principal and interest is due March 10, 2009.

The Company periodically reviews the carrying value of management contracts acquired to determine if any impairment has occurred. Based on a detailed assessment of current fair value and anticipated future cash flows, it is the opinion of the Company's management that there has been no impairment.

Under FASB Statement No. 142, goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. The Company considers our mutual fund management contracts to be intangible assets with an indefinite useful life.

(e) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to twelve years.

(f) Fair Value of Financial Instruments

FASB Statement No. 107 requires disclosures regarding the fair value of all financial instruments for financial statement purposes. The estimates presented in these statements are based on information available to management as of September 30, 2004. Accordingly, the fair value presented in financial statements for the year then ended may not be indicative of amounts that could be realized on disposition of the financial instruments. The fair value of receivables, accounts payable and notes payable has been estimated at carrying value due to the short maturity of these instruments. The fair value of management contracts acquired is estimated at the cost of acquisition. The fair value of marketable securities and money market accounts is based on closing net asset values as reported by securities exchanges registered with the Securities and Exchange Commission.

(g) Expert Witness Fees

The Company receives fees for services provided by the Company's President and staff in mediating, reviewing and consulting on various cases within the securities industry. Such fees are recognized when earned.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method, in accordance with the provisions of FASB Statement No. 109 "Accounting For Income Taxes".

Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

A valuation allowance is then established to reduce that deferred tax asset to the level at which it is "more likely than not" that the tax benefits will be realized. Realization of tax benefits of deductible temporary differences and operating losses or credit carryforwards depends on having sufficient taxable income of an appropriate character within the carryforward periods. Sources of taxable income that may allow for the realization of tax benefits include income that will result from future operations.

The Company's effective tax rate of 39.8% differs from the federal statutory rate of 34% primarily due to the effects of state income taxes.

(i) Earnings Per Share

Basic earnings per share is determined by dividing net earnings by the weighted average number of shares of common stock outstanding, while diluted earnings per share is determined by dividing the weighted average number of shares of common stock outstanding adjusted for the dilutive effect of common stock equivalents.

(j) Authorized Common and Preferred Shares

Authorized common and preferred shares are 15 million and 5 million shares, respectively.

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(2) Investment Advisory Agreements

Pursuant to investment management agreements (the "Agreements"), the Company provides investment advisory services to the five Hennessy Funds. The Agreements are renewable annually based upon approval by a majority of the Funds' disinterested directors. Additionally, each agreement may be terminated prior to its expiration upon 60 days notice by either the Company or the Fund.

As provided in the Agreements with the five Hennessy Funds, the Company receives investment advisory fees monthly based on a percentage of the respective Fund's average daily net assets. The Agreements also contain expense limitation provisions whereby the Company has agreed to reimburse certain Funds annually, under certain conditions, an amount equal to all or a portion of its investment advisory fees.

(3) Property and Equipment

Property and equipment were comprised of the following as of September 30, 2004 and 2003:

	2004	2003
Leasehold improvements	$80,625	$43,294
Furniture and fixtures	19,622	9,664
Equipment	69,908	56,054
Software	18,137	10,790
	188,292	119,802
Less: accumulated depreciation	(100,200)	(73,590)
	$88,092	$46,212

(4) Note Payable

In September of 2003, the Company entered into a borrowing agreement with SYM Financial Corporation ("SYM") in order to finance its acquisition of the assets in the SYM Select Growth Fund. Under terms of the agreement, the Company borrowed $527,912, interest free, with the balance due and payable on September 18, 2004. The note was paid in full in September 2004.

(5) Long-term Debt

On March 11, 2004, Hennessy Advisors, Inc. secured financing from US Bank National Association to acquire the management contracts for certain Lindner funds. The loan agreement requires fifty-nine (59) monthly payments in the amount of $94,060 plus interest at the bank's prime rate as it may change from time to time (5.0% effective November 10, 2004), and is secured by the Company's assets. The final installment of the then outstanding principal and interest is due March 10, 2009. The note maturity schedule is as follows:

Year ending September 30:	
2005	$1,128,721
2006	$1,128,720
2007	$1,128,720
2008	$1,128,720
2009	$2,821,807

In connection with securing the financing, Hennessy Advisors, Inc. incurred loan costs in the amount of $61,052. These costs are included in other assets and are being amortized on a straight-line basis over 60 months. Future amortization expense over the next five years is as follows:

Year ending September 30:	
2005	$12,211
2006	$12,211
2007	$12,211
2008	$12,211
2009	$ 5,547

(6) Income Taxes

The provision for income taxes is comprised of the following for the years ended September 30, 2004 and 2003:

	2004	2003
Current:		
Federal	$1,263,400	$474,919
State	342,100	126,600
	1,605,500	601,519
Deferred:		
Federal	159,600	85,895
State	65,700	33,800
	225,300	119,695
	$1,830,800	$721,214

The principal reasons for the differences from the federal statutory rate of 34% are as follows:

	2004	2003
Tax provision at statutory rate	$1,562,574	$606,289
State taxes, net of federal benefit	269,148	105,864
Permanent differences	(5,792)	2,625
Other	4,870	6,436
Income tax provision	$1,830,800	$721,214

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of September 30, 2004 and 2003 are presented below:

	2004	2003
Deferred tax assets:		
Accrued compensation	$ 11,500	$ 8,000
State taxes	115,400	43,000
Total deferred tax assets	126,900	51,000
Deferred tax liabilities:		
Property and equipment	(900)	0
Management contracts	(451,300)	(151,000)
Total deferred tax liabilities	(452,200)	(151,000)
Net deferred tax liabilities	$(325,300)	$(100,000)

The components giving rise to the net deferred tax liabilities described above have been included in the accompanying balance sheets as of September 30, 2004 and 2003, as follows:

	2004	2003
Current assets	$ 127,800	$ 51,600
Noncurrent assets	34,100	11,400
Current liabilities	(900)	(600)
Noncurrent liabilities	(486,300)	(162,400)
Net deferred tax liabilities	$ (325,300)	$(100,000)

(7) Earnings Per Share

The weighted average common shares outstanding used in the calculation of basic earnings per share and weighted average common shares outstanding adjusted for common stock equivalents used in the computation of diluted earnings per share were as follows for the years ended September 30, 2004 and 2003, respectively:

	2004	2003
Weighted average common stock outstanding	1,629,069	1,626,142
Common stock equivalents:		
Stock options	71,490	9,549
	1,700,559	1,635,691

(8) Reclassification of Prior Period's Statements

Certain items previously reported have been reclassified to conform with the current period's presentation.

(9) Commitments

The Company leases office space under a single non-cancelable operating lease that covers three suites at 750 Grant Ave. in Novato, California. The initial lease expires September 30, 2005 with five consecutive two-year options available thereafter. Total rent expense for the year ended September 30, 2004 was $93,900. The minimum future rental commitment under this lease as of September 30, 2004, is $93,900 for **the fiscal year ending September 30, 2005.**

(10) Stock-Based Compensation

On May 2, 2001, the Company established an incentive plan (the Plan) providing for the issuance of options, stock appreciation rights, restricted stock, performance awards, and stock loans for the purpose of attracting and retaining executive officers and key employees. The maximum number of shares which may be issued under the Plan is 25% of the outstanding common stock of the Company, subject to adjustment by the compensation committee of the Board of Directors. The 25% limitation shall not invalidate any awards made prior to a decrease in the number of outstanding shares, even though such awards have resulted or may result in shares constituting more than 25% of the outstanding shares being available for issuance under the Plan. Shares available under the Plan which are not awarded in one particular year may be awarded in subsequent years. The compensation committee of the Board of Directors has the authority to determine the awards granted under the Plan, including among other things, the individuals who receive the awards, the times when they receive them, vesting schedules, performance goals, whether an option is an incentive or nonqualified option and the number of shares to be subject to each award. However, no participant may receive options or stock appreciation rights under the Plan for an aggregate of more than 50,000 shares in any calendar year. The exercise price and term of each option or stock appreciation right will be fixed by the compensation committee except that the exercise price for each stock option which is intended to qualify as an incentive stock option must be at least equal to the fair market value of the stock on the date of grant and the term of the option cannot exceed 10 years. In the case of an incentive stock option granted to a 10% shareholder, the exercise price must be at least 110% of the fair market value on the date of grant and cannot exceed five years. Incentive stock options may be granted only within ten years from the date of adoption of the Plan. The aggregate fair market value (determined at the time the option is granted) of shares with respect to which incentive stock options may be granted to any one individual, which stock options are exercisable for the first time during any calendar year, may not exceed $100,000. An optionee may, with the consent of the compensation committee, elect to pay for the shares to be received upon exercise of their options in cash or shares of common stock or any combination thereof.

As the exercise price of all options granted under the Plan were equal to the market price of the underlying common stock on the grant date, no stock-based employee compensation cost was recognized in net income. During the current fiscal year ended September 30, 2004, 18,000 options were granted. During the fiscal year ended September 30, 2003, 72,500 options were granted. The following tables illustrate the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation", as amended, to options granted under the stock option plan. Because the estimated value is determined as of the date of grant, the actual value ultimately realized by the employee may be significantly different.

As required under FASB Statement No. 123 and FASB Statement No. 148, "Accounting for Stock-based Compensation – Transition and Disclosure", the proforma effects of stock-based compensation on net income and earnings per common share have been estimated at the date of grant using the Black-Scholes option pricing model.

The value of options granted in the fiscal year ended September 30, 2004 was determined at the date of grant by using an options pricing model with an assumed risk-free interest rate of 2.84%, an expected life of 5 years, zero dividends and a volatility factor of 34.68%:

	Net Income	Basic EPS	Diluted EPS
For the year ended September 30, 2004			
Net income	$ 2,765,006	$ 1.70	$ 1.63
Fair value of stock options - net of tax	56,160	0.03	0.03
Proforma net income	$ 2,708,846	$ 1.67	$ 1.60

The value of options granted in the fiscal year ended September 30, 2003 was determined at the date of grant by using an options pricing model with an assumed risk-free interest rate of 3.24%, an expected life of 5 years, zero dividends and a volatility factor of 0.0001%:

	Net Income	Basic EPS	Diluted EPS
For the year ended September 30, 2003			
Net income	$ 1,061,988	$ 0.65	$ 0.65
Fair value of stock options - net of tax	77,431	0.05	0.05
Proforma net income	$ 984,557	$ 0.60	$ 0.60

The Company continues to account for its stock option plan under the intrinsic value recognition and measurement principles of APB Opinion No. 25 and related interpretations.

The Company has reserved up to 408,786 options for shares of the Company's common stock, in accordance with terms of the Plan, wherein a maximum of 25% of the outstanding common stock may be issued as stock options. An aggregate of 179,500 options have been granted to certain employees, executive officers, and directors of the Company as of September 30, 2004. These options were fully vested at the date of grant, and have a weighted average exercise price of $11.41 per share. During the fiscal year ended September 30, 2004, employees exercised a total of 9,000 options, leaving 170,500 options fully vested and exercisable at year-end.

A summary of the status of stock options granted as of the fiscal years ended September 30, 2004 and 2003, is presented in the following table:

	2004 Number Of Options	Weighted Avg. Exercise Price	2003 Number Of Options	Weighted Avg. Exercise Price
Outstanding at beginning of the year	161,500	$10.90	89,000	$10.00
Granted	18,000	$16.04	72,500	$12.00
Exercised	(9,000)	$10.33	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	170,500	$11.41	161,500	$10.90
Exercisable at year-end	170,500	$11.41	161,500	$10.90
Weighted average fair value of options	$5.20		$10.22	

(11) Concentration of Credit Risk

The Company maintains its cash accounts with two commercial banks which, at times, may exceed federally insured limits. The amount on deposit at September 30, 2004, exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately $352,000. In addition, total cash and cash equivalents include $4,074,381 held in the First American Prime Obligations Fund which is not federally insured. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

(12) Subsequent Events

On October 31, 2004, 17,000 stock options were granted to employees of the corporation at an exercise price of $24.00. On November 3, 2004, 60,000 options were granted to members of the board of directors, at a price of $24.00. All options were granted at an exercise price equal to the market price of the underlying stock on the grant date.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements between Hennessy Advisors, Inc. (the Company)and its auditors, Pisenti & Brinker LLP.

ITEM 8A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced above.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS AND OFFICERS

Directors and Executive Officers as of September 30, 2004 are as follows:

Name	Age	Position
Neil J. Hennessy	48	President, Chief Executive Officer and Chairman
Teresa M. Nilsen	38	Executive Vice President, CFO, Secretary and Director
Daniel B. Steadman	48	Executive Vice President and Director
Henry Hansel	56	Director
Brian A. Hennessy	51	Director
Rodger Offenbach	53	Director
Daniel G. Libarle	63	Director
Thomas L. Seavey	57	Director

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Securities Exchange Act, each officer, director or 10% shareholder of the Company must file a Form 4 reporting the acquisition or disposition of Company stock within two business days after the date of the acquisition unless certain exceptions apply. Generally, transactions not reported on Form 4 must be reported on Form 5 within 45 days after the end of the Company's fiscal year. To the Company's knowledge, based solely on a review of the copies of the reports furnished to it and written representations that no other reports were required, during the Company's 2004 fiscal year, the Company's officers, directors and 10% shareholders complied with all applicable Section 16(a) filing requirements.

BUSINESS EXPERIENCE OF OFFICERS AND DIRECTORS

Neil J. Hennessy (age 48) has served as a director, president and chief executive officer of Hennessy since 1989, as president and investment manager of The Hennessy Funds, Inc. since 1996 and as a director and president of Hennessy Mutual Funds, Inc. since 2000. He is the portfolio manager of our five no-load mutual funds. Mr. Hennessy started his financial career almost 25 years ago as a broker at Paine Webber. He subsequently moved to Hambrecht & Quist and later returned to Paine Webber.
Mr. Hennessy has served as an expert witness / mediator to the securities industry since 1989, and has heard / evaluated approximately 500 cases to date, in which he has

prepared, reviewed, consulted and evaluated securities sensitive issues. From 1987 to 1990, Neil served as a nominated member of the National Association of Securities Dealers, Inc., District Business Conduct Committee (DBCC), and in March of 1993, he accepted the nomination to this committee again. From January 1993 to January 1995, Mr. Hennessy served his elected term as chairman of the DBCC. Mr. Hennessy is the brother of Dr. Brian A. Hennessy.

Teresa M. Nilsen (age 38) has served as a director, executive vice president, chief financial officer and secretary of Hennessy since 1989, as executive vice president and secretary of The Hennessy Funds, Inc. since 1996 and as executive vice president and secretary of Hennessy Mutual Funds, Inc. since 2000. Ms. Nilsen has worked in the securities industry for over 15 years. Ms. Nilsen graduated with a Bachelor’s Degree in Economics from the University of California, Davis, in 1987.

Daniel B. Steadman (age 48) has served as a director and executive vice president of Hennessy since 2000, as executive vice president of The Hennessy Funds, Inc. since 2000 and as executive vice president of Hennessy Mutual Funds, Inc. since 2000. Mr. Steadman has been in the financial services industry for over 29 years, serving as vice president of WestAmerica Bank from 1995 through 2000, vice president and an organizing officer of Novato National Bank from 1984 through 1995, assistant vice president and manager of Bank of Marin from 1980 through 1984, and banking services officer of Wells Fargo Bank from 1974 through 1980.

Henry Hansel (age 56) has served as a director of Hennessy since 2001. Mr. Hansel attended the University of Santa Clara where he graduated in 1970 with a B.S. in Economics. He is president (since 1982) of The Hansel Dealer Group, which includes seven automobile dealerships. Mr. Hansel is a founding director of the Bank of Petaluma.

Brian A. Hennessy (age 51) has served as a director of Hennessy since 1989, and as a director of The Hennessy Funds, Inc. from 1996 to 2001. Dr. Hennessy has been a self-employed dentist for more than 20 years. Dr. Hennessy is the brother of our chairman, Neil J. Hennessy. Dr. Hennessy attended the University of San Francisco where he earned a B.S. in Biology in 1975. Dr. Hennessy received his D.D.S. from the University of the Pacific in 1980.

Rodger Offenbach (age 53) has served as a director of Hennessy since 2001 and as a director of The Hennessy Funds, Inc. from 1996 to 2001. Mr. Offenbach attended California State University, Sonoma where he received a B.S. in Business Administration in 1972. Mr. Offenbach has been the owner of Ray’s Catering and Marin-Sonoma Picnics since 1973.

Daniel G. Libarle (age 63) has been a director of Hennessy since 2001. Mr. Libarle attended the University of Oregon and San Jose State University, where he graduated in 1963 with a B.A. in Economics. Mr. Libarle is the owner and president of Lace House Linen, Inc. and is a founding director and chairman of the board of directors for Bank of Petaluma. Mr. Libarle is currently a director of Greater Bay Bancorp and serves on the bank’s audit committee.

Thomas L. Seavey (age 57) has served as a director of Hennessy since 2001. Mr. Seavey graduated from Western Michigan University with a B.A. in English and History in 1969. For the majority of Mr. Seavey’s business career, he has been involved in the sales and marketing of athletic and leisure products, as well as marketing professional athletes. Mr. Seavey spent 12 years at Nike as head agent for sales in the Midwest, as well as California, and spent three years at International Management Group as the vice president of products. While employed at Nike, Mr. Seavey formed a family business selling sport and leisure products in 1980, and formally took over the management of that company in 1993, selling half the interest in it in 1998. Mr. Seavey is currently managing Continental Sports Group (formerly Seavey Corp.)

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors of Hennessy Advisors, Inc. has determined that Daniel G. Libarle, who has served as chairman of our audit committee since 2001, is also the audit committee financial expert , and is independent as defined by Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. The Board based its determination on the fact that Mr. Libarle has extensive experience evaluating financial statements, and actively supervising financial managers responsible for preparing financial statements in accordance with generally accepted accounting priciples, in his capacity as the owner and president of Lace House Linen, Inc. for the past 20 years. Mr. Libarle has also acquired an understanding of internal controls, procedures for financial reporting and audit committee functions as the founding chairman of the board for Bank of Petaluma, since 1985, and as a member of the audit committee of the board of directors of Greater Bay Bancorp for the past four years.

CODE OF ETHICS

On November 3, 2004, Hennessy Advisors, Inc. adopted an expanded code of ethics that applies to the principal executive officer, principal financial officer, executive vice presidents and all other employees. The code has been designed in accordance with expanded provisions of the Sarbanes-Oxley Act of 2002, to promote honest and ethical conduct. The code is included in this annual report in Part III, Item 13, Exhibit 14.1. The amended code applies to Hennessy Mutual Funds, Inc. and Hennessy Funds as well, and was approved by their respective directors on November 16, 2004. The revised code is posted on our website at www.hennessyadvisors.com and all future ammendments to and waivers from the code will be posted there.

Any person may obtain a copy of the Hennessy Advisors, Inc. Code of Ethics, at no cost, by forwarding a written request to:

Hennessy Advisors, Inc.
750 Grant Ave., Suite #100
Novato, CA 94945
Attention: Teresa Nilsen

ITEM 10. EXECUTIVE COMPENSATION

The following table summarizes the compensation for services rendered for the year ended September 30, 2004, by our executive officers, each having received compensation in excess of $100,000 in fiscal year 2004:

Name and Principal Position	Year	Annual Compensation Salary	Bonus	All Other Annual Compensation	Long-term Compensation Awards - Securities Underlying Options	All Other Compensation
Neil J. Hennessy, Chief Executive Officer	2004	$180,000	$555,356	$ 0	0	$ 8,968 (2)
	2003	$180,000	$223,755	$ 0	7,500	$ 8,968 (2)
	2002	$156,500	$ 36,000	$ 4,233 (1)	7,500	$ 8,443 (3)
Teresa M. Nilsen, Chief Financial Officer	2004	$110,000	$105,000	$ 0	0	$ 3,750 (4)
	2003	$ 96,000	$ 55,000	$ 0	7,500	$ 0
	2002	$ 75,333	$ 2,500	$ 0	7,500	$ 0
Daniel B. Steadman, Executive Vice President	2004	$105,000	$ 90,000	$ 0	0	$ 0
	2003	$ 96,000	$ 50,000	$ 0	7,500	$ 0
	2002	$ 82,000	$ 2,500	$ 0	7,500	$ 0

(1) Auto allowance.
(2) Premiums for life insurance ($5,828) and disability insurance ($3,140) in 2003 and 2004.
(3) Premiums for life insurance ($5,827) and disability insurance ($2,616) in 2002.
(4) 15 year anniversary award.

There were no stock option grants to any of the executive officers named above during the fiscal year ended September 30, 2004.

As shown in the following table, there have been no stock options exercised by executive officers during the fiscal year ended September 30, 2004:

Aggregated Option/SAR Exercises in Last Fiscal Year
And FY-End Option/SAR Values

Name	Number of Shares Acquired On Exercise	Value Realized	Number Of Unexercised Securities Underlying Options/SARs At FY-End (#) Exercisable/Unexercisable	Value Of Unexercised In-The-Money Options/SARs At FY-End ($) Exercisable/Unexercisable
Neil J. Hennessy, Chief Executive Officer	None		15,000/0	$198,750/$0
Teresa M. Nilsen, Chief Financial Officer and Secretary	None		15,000/0	$198,750/$0
Daniel B. Steadman, Executive Vice President	None		15,000/0	$198,750/$0

Employment Agreements

Neil J. Hennessy entered into an employment agreement relating to his service as Chairman of the Board of Directors and Chief Executive Officer of Hennessy Advisors, and as Chief Investment Officer and Portfolio Manager for our mutual funds, effective at the completion of our initial public offering on February 28, 2002. Under the employment

agreement, Mr. Hennessy is responsible for managing or overseeing the management of our mutual funds, attracting mutual fund accounts, attracting or managing accounts for high net worth individuals or retirement accounts or otherwise generating revenues.
Mr. Hennessy receives an annual salary of $180,000, and any other benefit that other employees receive. In addition to his base compensation, Mr. Hennessy will receive an incentive-based management fee in the amount of 10% of our pre-tax profit, as computed for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America. The term of the employment agreement extends through the year 2006. The agreement can only be modified with the consent of our Board of Directors.

Director Compensation

Outside directors have been compensated in cash for their participation in board meetings ($1,500 per meeting, 5 meetings annually) and committee meetings ($500 per meeting, 2 committees, 4 meetings annually). Outside directors have also been granted 20,000 stock options each, through the fiscal year ended September 30, 2004.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth, as of November 30, 2004, the number and percentage of outstanding shares of Common Stock owned by (i) each person known to Hennessy Advisors, Inc. to beneficially own more than 5% of its outstanding Common Stock, (ii) each director, (iii) each named executive officer, and (iv) all officers and directors as a group:

Nature of Beneficial Owner	Name and Address	Number Of Common Shares Owned: Stock Options	Number Of Common Shares Owned: Total Shares	Percent Of Class (1)
o 5% Owner, CEO and Director	Neil J. Hennessy 750 Grant Ave. Novato, CA 94945	22,500	662,822	40.0%
o Executive Vice President and Director	Teresa M. Nilsen 750 Grant Ave. Novato, CA 94945	22,500	42,800	2.6%
o Executive Vice President and Director	Daniel B. Steadman 750 Grant Ave. Novato, CA 94945	22,500	25,000	1.5%
o Director	Henry Hansel 750 Grant Ave. Novato, CA 94945	27,500	52,500	3.2%
o Director	Brian A. Hennessy 750 Grant Ave. Novato, CA 94945	27,500	87,000	5.2%
o Director	Rodger Offenbach 750 Grant Ave. Novato, CA 94945	27,500	38,870	2.3%
o Director	Daniel G. Libarle 750 Grant Ave. Novato, CA 94945	27,500	32,500	2.0%
o Director	Thomas L. Seavey 750 Grant Ave. Novato, CA 94945	27,500	32,500	2.0%
o Total Officers and Directors		205,000	973,992	52.9%

(1) Total common shares outstanding at November 30, 2004 were 1,635,142.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has adopted an Option Plan (the "Plan") providing for the issuance of up to 408,786 options for shares of the Company's common stock. An aggregate of 179,500 options for the Company's common stock had been granted as of September 30, 2004, to certain employees, executive officers, and directors of the Company. These options were fully vested when granted, and have a weighted average exercise price of $11.41 per share. All options granted under the Plan vest immediately. During the fiscal year ended September 30, 2004, employees exercised 9,000 options, leaving 170,500 options fully vested and exercisable at year-end.

The following table displays equity compensation plan information as of the fiscal year ended September 30, 2004:

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for issuance under equity compensation plans (excluding) securities reflected in column(a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	170,500	$11.41	229,286(1)
Equity compensation plans not approved by security holders	None		
Total	170,500	$11.41	229,286

(1) The maximum number of shares of common stock that may be issued under the Company's Option Plan is 25% of the outstanding common stock which = 408,786.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There have been no transactions of more than $60,000 between Hennessy Advisors, Inc. and any shareholder, director or executive officer during the last two year period ending September 30, 2004.

ITEM 13. EXHIBITS

Exhibits

2.1*	Form of Agreement of Merger of Hennessy Advisors, Inc., Hennessy Management Co., L.P. and Hennessy Management Co. 2, L.P.
3.1*	Amended and Restated Articles of Incorporation
3.2*	Bylaws
10.1*	Management Agreement, dated June 30, 2000, between Registrant and Hennessy Mutual Funds, Inc.
10.2*	Investment Advisory Agreement, dated July 1, 1998, between The Hennessy Funds, Inc., and the Hennessy Management Co., L.P.
10.3*	Investment Advisory Agreement, dated June 30, 1998, between The Hennessy Funds, Inc., and the Hennessy Management Co., 2, L.P.
10.4*	Hennessy Advisors, Inc. 2001 Omnibus Plan**
10.4(a)*	Form of Option Award Agreement**
10.5*	Employment Agreement of Neil J. Hennessy**
10.6***	Loan Agreement between the Registrant and US Bank National Association, dated March 15, 2004
10.7	Lindner Acquisition Agreement as amended, January 19, 2004
14.1****	Hennessy Advisors, Inc. Code of Ethics, as amended November 3, 2004 and approved by the mutual fund directors on November 16, 2004.
23.3	Consent of Pisenti & Brinker LLP
31.1	Rule 13a – 14a Certification of the Chief Executive Officer
31.2	Rule 13a – 14a Certification of the Chief Financial Officer
32.1	Written Statement of the Chief Executive Officer, Pursuant to 18 U.S.C. § 1350
32.2	Written Statement of the Chief Financial Officer, Pursuant to 18 U.S.C. § 1350

Note:
* = incorporated by reference from the Company's Form SB-2 registration statement (SEC File No. 333-66970)

** = management contract or compensatory plan or arrangement

*** = incorporated by reference from the Company's Form 10-QSB for the quarter ended March 31, 2004 (SEC File No. 000-49872)

**** = incorporated by reference from the Company's Form 8-K furnished on December 10, 2004

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees billed by our accounting firms (KPMG LLP and Pisenti & Brinker LLP) for audit services, SEC compliance reviews and tax preparation services were as follows, for the fiscal years ending September 30, 2004 and 2003:

	Audit Fees	Audit-Related Fees(1)	Tax Fees(2)	Other Fees (3) (4)	Total Fees
Fiscal Year 2004					
--KPMG	$ 0	$ 0	$ 0	$ 10,000	$ 10,000
--Pisenti & Brinker	$ 21,922	$ 21,458	$ 3,500	$ 5,011	$ 51,891
Fiscal Year 2003					
--KPMG	$ 28,000	$ 36,000	$ 0	$ 0	$ 64,000
--Pisenti & Brinker	$ 0	$ 4,500	$ 3,500	$ 0	$ 8,000

(1) Audit related fees are for SEC compliance reviews of Form 10-QSB.
(2) Tax fees are for preparation of federal and state income tax returns.
(3) KPMG "Other Fees" were for review of Form 10-KSB and issuance of related consent.
(4) Pisenti & Brinker "Other Fees" were for attendance at audit committee meetings and the annual meeting of shareholders.

All decisions regarding selection of independent accounting firms and approval of accounting services and fees are made by the Audit Committee of Hennessy Advisors, Inc., in accordance with the provisions of the Sarbanes-Oxley Act of 2002. There are no exceptions to the policy of securing prior approval by our audit committee for any service provided by our independent accounting firm.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, as duly authorized:

Hennessy Advisors, Inc.
(Registrant)

By: /s/ Neil J. Hennessy Dated: December 14, 2004

Neil J. Hennessy
Chief Executive Officer and President
(As a duly authorized Officer on behalf of the Registrant and as Principal Executive Officer and Chairman of the Board of Directors)

By: /s/ Teresa M. Nilsen Dated: December 14, 2004

Teresa M. Nilsen
Chief Financial Officer, Secretary and Director

By: /s/ Daniel B. Steadman Dated: December 14, 2004

Daniel B. Steadman
Executive Vice President and Director

By: /s/ Ralph A. Hayward Dated: December 14, 2004

Ralph A. Hayward
Controller

By: /s/ Daniel G. Libarle Dated: December 14, 2004

Daniel G. Libarle
Director

By: /s/ Thomas L. Seavey Dated: December 14, 2004

Thomas L. Seavey
Director

By: /s/ Henry Hansel Dated: December 14, 2004

Henry Hansel
Director

By: /s/ Brian A. Hennessy Dated: December 14, 2004

Brian A. Hennessy
Director

By: /s/ Rodger Offenbach Dated: December 14, 2004

Rodger Offenbach
Director

Exhibit 23.3

Consent of Independent Registered Accounting Firm

The Board of Directors
Hennessy Advisors, Inc.:

We consent to incorporation of our report dated November 4, 2004, regarding the balance sheet of Hennessy Advisors, Inc. as of September 30, 2004 and 2003, and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended, into the annual report of Hennessy Advisors, Inc., being filed on Form 10-KSB.

Pisenti & Brinker LLP
Petaluma, California
November 4, 2004

Exhibit 31.1

Rule 13a – 14a Certification of the Chief Executive Officer

I, Neil J. Hennessy, Chief Executive Officer and President of Hennessy Advisors, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB for Hennessy Advisors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: December 14, 2004

/s/ Neil J. Hennessy

Neil J. Hennessy, Chief Executive Officer and President, Hennessy Advisors, Inc.

Exhibit 31.2

Rule 13a – 14a Certification of the Chief Financial Officer

I, Teresa M. Nilsen, Chief Financial Officer of Hennessy Advisors, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB for Hennessy Advisors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
   c) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
   d) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: December 14, 2004

/s/ Teresa M. Nilsen

____

Teresa M. Nilsen, Chief Financial Officer, Hennessy Advisors, Inc.

Hennessy Advisors, Inc.

Exhibit 32.1

Written Statement of the Chief Executive Officer
Pursuant to 18 U.S.C. э1350

Solely for the purposes of complying with 18 U.S.C. э1350, I, the undersigned Chief Executive Officer of Hennessy Advisors, Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-KSB of the Company for the year ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Neil J. Hennessy
Neil J. Hennessy, Chief Executive Officer and President
Hennessy Advisors Inc.

Date: December 14, 2004

Hennessy Advisors, Inc.

Exhibit 32.2

Written Statement of the Chief Financial Officer
Pursuant to 18 U.S.C. э1350

Solely for the purposes of complying with 18 U.S.C. э1350, I, the undersigned Chief Financial Officer of Hennessy Advisors, Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-KSB of the Company for the year ended September 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Teresa M. Nilsen
Teresa M. Nilsen, Chief Financial Officer
Hennessy Advisors, Inc.

Date: December 14, 2004