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New York, NY 10017-5891

DISTRIBUTOR Value Line Securities, Inc.
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New York, NY 10017-5891

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SERVICING AGENT** State Street Bank and Trust Co.
c/o BFDS
P.O. Box 219729
Kansas City, MO 64121-9729

**INDEPENDENT
REGISTERED PUBLIC
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A N N U A L R E P O R T

December 31, 2008

*Value Line
Income and
Growth
Fund, Inc.*



V A L U E L I N E

*No-Load
Mutual
Funds*

*This audited report is issued for information to shareholders.
It is not authorized for distribution to prospective investors
unless preceded or accompanied by a currently effective
prospectus of the Fund (obtainable from the Distributor).*

#00062640

To Our Value Line Income

To Our Shareholders (unaudited):

The Value Line Income & Growth Fund outperformed its benchmark in 2008. Although the Fund had a loss of 21.52% in 2008, it compared favorably with a loss of 37.00% for the Standard & Poor's 500 Index⁽¹⁾ and a positive 5.71% return for the Barclays Government/Credit Bond Index⁽²⁾.

Equity market returns fell sharply in the second half of 2008 as a result of the weakening business environment and a bank-led credit crisis. Corporate earnings declined in the second half of the year due mainly to large writedowns on bad loans in the financial sector; one of the largest weightings in the S&P 500 Index. Due to the breadth of the economic pullback, both domestically and abroad, the U.S. is enduring one of the most severe recessions in decades. Given this backdrop, the U.S. Government has taken unprecedented steps to revive the nation's growth utilizing both fiscal and monetary policy, which will likely begin to bear fruit in the later stages of 2009. As the economy works its way through the borrowing excesses of the past few years, corporate profit margins should remain under pressure; contributing to further volatility for the domestic equity markets.

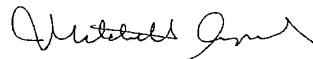
Given the current investment environment, we continue to focus our equity investing on dividend-paying companies where we believe the quality of earnings tends to be quite

high. The Fund's holdings in the fixed-income arena have been primarily focused in U.S. Treasury and Agency issues; however, in the past six months we have begun to increase our holdings in corporate securities as the yield advantage over Treasury notes has widened to historic levels. If the economic situation stabilizes later this year, it is likely we will add to our investments in the high-grade corporate sector as opportunities present themselves.

We believe that a well-diversified and balanced approach will produce the best long-term results on a risk/reward basis. Preserving capital in the short run, while generating good total returns (income plus growth) over the long term, remain our goals.

We appreciate your confidence and look forward to serving your investment needs in the future.

Sincerely,



Mitchell E. Appel
President

February 20, 2009

(1) *The Standard & Poor's 500 Index consists of 500 stocks which are traded on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market System and is representative of the broad stock market. This is an unmanaged index and does not reflect charges, expenses or taxes. It is not possible to directly invest in this index.*

(2) *The Barclays Government/Credit Bond Index consists of government, investment-grade and mortgage-backed bonds and is representative of the broad bond market. This is an unmanaged index and does not reflect charges, expenses or taxes. It is not possible to directly invest in this index.*

and Growth Fund Shareholders

Economic Observations (unaudited)

The recession is in full bloom, having hit this country with its worst business setback in several generations. Meanwhile, the downturn is spreading overseas with ferocity, creating a global crisis.

The current situation is traceable to several events, beginning with the sharp declines in housing construction, home sales, and real estate prices. We also have seen a reduction in credit availability, a high level of bank failures, rising foreclosure rates, increasing unemployment, a contraction in retailing and auto activity, and sharp declines in manufacturing and nonmanufacturing. These developments are consistent with a deep and prolonged recession. As 2009 unfolds, we are facing a serious worldwide contraction that optimistically will last only through the middle of this year. Government reaction to this global upheaval is likely to involve attempts to pass

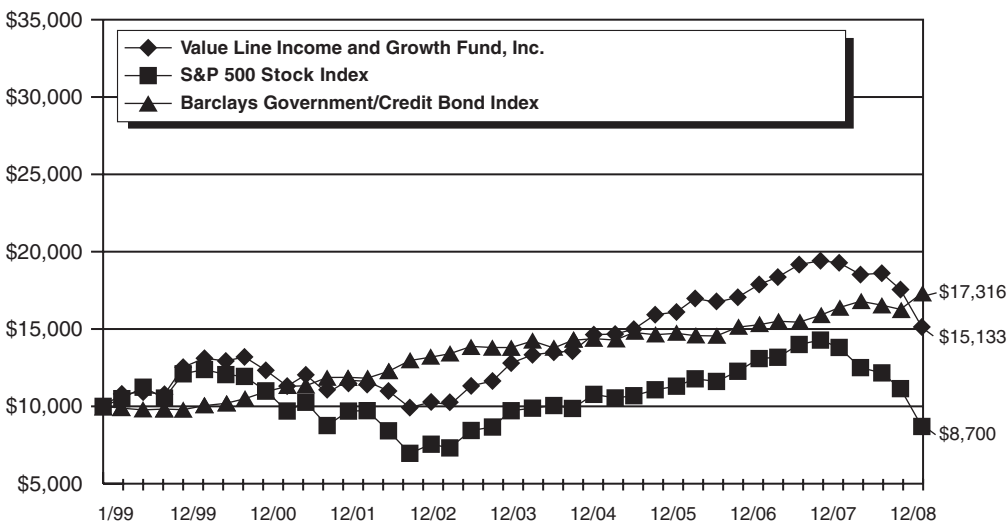
additional stimulus measures, with an emphasis on infrastructure rebuilding and employment improvement. It is hoped that such efforts will shorten the downturn's duration and reduce its severity.

Meanwhile, inflation, which had earlier moved sharply higher in this country due to dramatic increases in oil, food, and commodity prices, has moderated quickly, thanks to even more dramatic declines in energy prices since last summer. Our expectation is that absent a more potent long-term business expansion than we now project, inflation should remain in check for the most part through the early years of the next decade. In fact, there is the possibility that we could see selective bouts of deflation along the way, especially if consumer demand falters for any extended period of time.

(unaudited)

The following graph compares the performance of the Value Line Income and Growth Fund, Inc. to that of the S&P 500 Index and the Barclays Government Credit Bond Index. The Value Line Income & Growth Fund, Inc. is a professionally managed mutual fund, while the Indices are not available for investment and are unmanaged. The returns for the Indices do not reflect charges, expenses or taxes but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

Comparison of a Change in Value of a \$10,000 Investment
in the Value Line Income and Growth Fund, Inc.,
and the S&P 500 Index and the Barclays Government Credit Bond Index*



* The Standard and Poor's 500 Stock Index is an unmanaged index that is representative of the larger-capitalization stocks traded in the United States.

The Barclays Government/Credit Bond Index is an unmanaged index that is generally considered to be representative of U.S. Government and corporate bond market activity.

Performance Data:**

	Average Annual Total Return	Growth of an Assumed Investment of \$10,000
1 year ended 12/31/08	(21.52)%	\$ 7,848
5 years ended 12/31/08	3.41%	\$11,826
10 years ended 12/31/08	4.23%	\$15,133

** The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of \$10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value of an investment will fluctuate so that an investment, when redeemed, may be worth more or less than its original cost. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

FUND EXPENSES (unaudited):

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (July 1, 2008 through December 31, 2008).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if transactional costs were included, your costs would have been higher.

	Beginning account value 7/1/08	Ending account value 12/31/08	Expenses paid during period 7/1/08 thru 12/31/08*
Actual	\$1,000.00	\$ 813.20	\$5.20
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.41	\$5.79

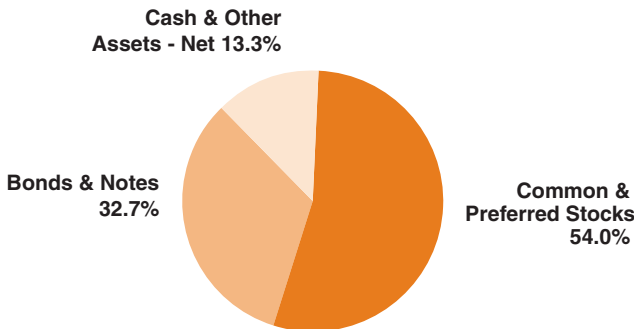
* Expenses are equal to the Fund's annualized expense ratio of 1.14% multiplied by the average account value over the period, multiplied by 184/366 to reflect the one-half year period. This expense ratio may differ from the expense ratio shown in the Financial Highlights.

Portfolio Highlights at December 31, 2008 (unaudited)

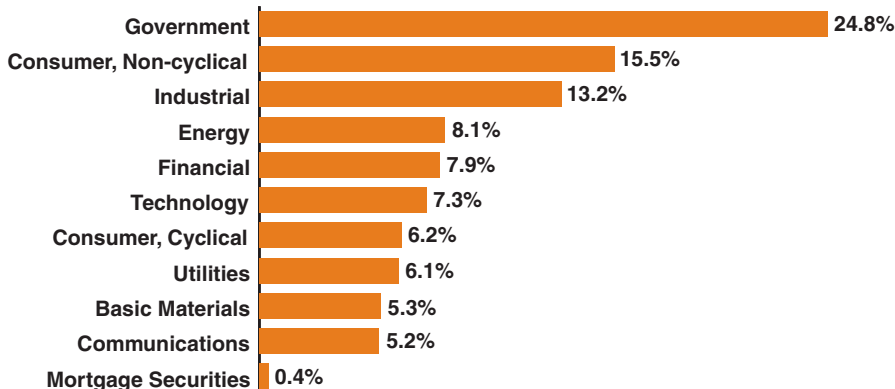
Ten Largest Common Stock Holdings

Issue	Shares	Value	Percentage of Net Assets
Johnson & Johnson	30,000	\$1,794,900	0.58%
Southern Co.	40,000	\$1,480,000	0.48%
Wal-Mart Stores, Inc.	25,000	\$1,401,500	0.46%
Microsoft Corp.	70,000	\$1,360,800	0.44%
Genzyme Corp.	20,000	\$1,327,400	0.43%
General Electric Co.	80,000	\$1,296,000	0.42%
Teva Pharmaceutical Industries Ltd. ADR	28,763	\$1,224,449	0.40%
Exxon Mobil Corp.	15,000	\$1,197,450	0.39%
Dominion Resources, Inc.	32,000	\$1,146,880	0.37%
Quest Diagnostics, Inc.	20,000	\$1,038,200	0.34%

Asset Allocation — Percentage of Net Assets



Sector Weightings — Percentage of Total Investment Securities



Schedule of Investments

December 31, 2008

Shares		Value	Shares		Value
COMMON STOCKS (53.4%)					
ADVERTISING (0.1%)					
16,000	Monster Worldwide, Inc. *	\$ 193,440			
AEROSPACE/DEFENSE (0.6%)					
10,000	General Dynamics Corp.	575,900			
10,000	Goodrich Corp.	370,200			
1,000	Grupo Aeroportuario del Sureste S.A.B. de C.V. ADR	37,380			
12,000	Northrop Grumman Corp.	540,480			
10,000	Rockwell Collins, Inc.	390,900			
		1,914,860			
AIR TRANSPORT (0.2%)					
7,000	FedEx Corp.	449,050			
25,000	Southwest Airlines Co.	215,500			
		664,550			
AUTO & TRUCK (0.2%)					
20,000	Honda Motor Co. Ltd. ADR ...	426,800			
6,000	Navistar International Corp. * ...	128,280			
		555,080			
AUTO PARTS (0.4%)					
20,000	Autoliv, Inc.	429,200			
8,000	Eaton Corp.	397,680			
16,000	Johnson Controls, Inc.	290,560			
		1,117,440			
BANK (1.1%)					
30,000	Bank of America Corp.	422,400			
15,000	Bank of New York Mellon Corp.	424,950			
16,000	JPMorgan Chase & Co.	504,480			
10,000	PNC Financial Services Group, Inc.	490,000			
8,000	State Street Corp.	314,640			
8,000	SunTrust Banks, Inc.	236,320			
20,000	Webster Financial Corp.	275,600			
25,000	Wells Fargo & Co.	737,000			
		3,405,390			
BANK - CANADIAN (0.2%)					
14,000	Bank of Nova Scotia	380,800			
8,000	Toronto-Dominion Bank (The) ...	286,960			
		667,760			
BANK - FOREIGN (0.0%)					
1,000	Unibanco - Uniao de Bancos Brasileiros S.A. GDR	\$ 64,620			
BANK - MIDWEST (0.1%)					
10,000	U.S. Bancorp	250,100			
BEVERAGE - ALCOHOLIC (0.1%)					
19,000	Constellation Brands, Inc. Class A *	299,630			
BEVERAGE - SOFT DRINK (0.7%)					
20,000	Cadbury PLC ADR	713,400			
15,000	Coca-Cola Co. (The)	679,050			
15,000	Dr. Pepper Snapple Group, Inc. *	243,750			
1,000	Fomento Economico Mexicano S.A.B. de C.V. ADR	30,130			
10,000	PepsiCo, Inc.	547,700			
		2,214,030			
BUILDING MATERIALS (0.3%)					
10,000	Fluor Corp.	448,700			
20,000	Owens Corning, Inc. *	346,000			
		794,700			
CABLE TV (0.4%)					
20,000	Cablevision Systems Corp. NY Group A	336,800			
25,000	DIRECTV Group, Inc. (The) *	572,750			
30,000	DISH Network Corp. Class A *	332,700			
		1,242,250			
CANADIAN ENERGY (0.9%)					
15,000	Canadian Natural Resources Ltd.	599,700			
20,000	EnCana Corp.	929,600			
50,000	Pengrowth Energy Trust	381,000			
20,000	Petro-Canada	437,800			
15,000	Suncor Energy, Inc.	292,500			
		2,640,600			
CEMENT & AGGREGATES (0.1%)					
20,000	Cemex S.A. de C.V. ADR * ...	182,800			

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value
CHEMICAL - BASIC (0.5%)			COMPUTER SOFTWARE & SERVICES (2.4%)		
17,000	Agrium, Inc.	\$ 580,210	18,000	Accenture Ltd. Class A	\$ 590,220
20,000	Dow Chemical Co. (The)	301,800	15,000	Affiliated Computer Services, Inc. Class A *	689,250
20,000	E.I. du Pont de Nemours & Co.	506,000	15,000	Automatic Data Processing, Inc.	590,100
		1,388,010	20,000	BMC Software, Inc. *	538,200
CHEMICAL - DIVERSIFIED (0.6%)			25,000	CA, Inc.	463,250
3,000	Cabot Corp.	45,900	20,000	Check Point Software Technologies Ltd. *	379,800
10,000	Cytec Industries, Inc.	212,200	25,000	Cognizant Technology Solutions Corp. Class A *	451,500
30,000	Huntsman Corp.	103,200	25,000	Computer Sciences Corp. *	878,500
12,000	Pall Corp.	341,160	15,000	Infosys Technologies Ltd. ADR	368,550
10,000	Sociedad Quimica y Minera de Chile S.A. ADR	243,900	70,000	Microsoft Corp.	1,360,800
24,000	Veolia Environnement ADR	761,040	30,000	Oracle Corp. *	531,900
25,000	Zoltek Companies, Inc. *	224,750	15,000	Sybase, Inc. *	371,550
		1,932,150	20,000	Symantec Corp. *	270,400
CHEMICAL - SPECIALTY (1.1%)					7,484,020
10,000	Arch Chemicals, Inc.	260,700	DIVERSIFIED COMPANIES (1.2%)		
12,000	Ashland, Inc.	126,120	16,000	Crane Co.	275,840
10,000	Ceradyne, Inc. *	203,100	11,000	Danaher Corp.	622,710
10,000	Lorillard, Inc.	563,500	16,000	Honeywell International, Inc.	525,280
20,000	Lubrizol Corp. (The)	727,800	15,000	Parker Hannifin Corp.	638,100
3,000	Millipore Corp. *	154,560	15,000	Pentair, Inc.	355,050
14,000	Mosaic Co. (The)	484,400	14,000	Teleflex, Inc.	701,400
22,000	OM Group, Inc. *	464,420	15,000	Tyco International Ltd.	324,000
7,000	Syngenta AG ADR	273,980	7,000	United Technologies Corp.	375,200
		3,258,580			3,817,580
COMPUTER & PERIPHERALS (1.1%)			DRUG (3.4%)		
30,000	Dell, Inc. *	307,200	10,000	Biogen Idec, Inc. *	476,300
30,000	EMC Corp. *	314,100	30,000	Bristol-Myers Squibb Co.	697,500
18,000	Hewlett-Packard Co.	653,220	15,000	Eli Lilly & Co.	604,050
12,000	International Business Machines Corp.	1,009,920	30,000	Forest Laboratories, Inc. *	764,100
15,000	Logitech International S.A. *	233,700	20,000	Genzyme Corp. *	1,327,400
25,000	Maxwell Technologies, Inc. *	126,750	10,000	GlaxoSmithKline PLC ADR	372,700
20,000	NetApp, Inc. *	279,400	32,000	King Pharmaceuticals, Inc. *	339,840
5,000	SanDisk Corp. *	48,000	20,000	Merck & Co., Inc.	608,000
20,000	Seagate Technology	88,600	15,000	Novartis AG ADR	746,400
25,000	Western Digital Corp. *	286,250	50,000	Pfizer, Inc.	885,500
		3,347,140	22,000	Sanofi-Aventis ADR	707,520

See Notes to Financial Statements.

December 31, 2008

Shares		Value	Shares		Value
22,500	Schering-Plough Corp.	\$ 383,175		ELECTRICAL UTILITY -	
28,763	Teva Pharmaceutical Industries Ltd. ADR	1,224,449		WEST (0.7%)	
30,000	Watson Pharmaceuticals, Inc. *	797,100	30,000	IDACORP, Inc.	\$ 883,500
14,000	Wyeth	525,140	15,000	Semptra Energy	639,450
		10,459,174	40,000	Xcel Energy, Inc.	742,000
					2,264,950
	ELECTRICAL EQUIPMENT (1.5%)			ELECTRONICS (1.2%)	
2,000	American Science & Engineering, Inc.	147,920	15,000	Arrow Electronics, Inc. *	282,600
5,000	Baldor Electric Co.	89,250	24,000	Avnet, Inc. *	437,040
15,000	Belden CDT, Inc.	313,200	20,000	AVX Corp.	158,800
25,000	Corning, Inc.	238,250	25,000	Celestica, Inc. *	115,250
15,000	Emerson Electric Co.	549,150	5,000	Harris Corp.	190,250
1,000	Garmin Ltd.	19,170	20,000	LaserCard Corp. *	72,800
80,000	General Electric Co.	1,296,000	25,000	MEMC Electronic Materials, Inc. *	357,000
10,000	Siemens AG ADR	757,500	10,000	PG&E Corp.	387,100
25,000	Thomas & Betts Corp. *	600,500	20,000	Pinnacle West Capital Corp. ...	642,600
20,000	Ultralife Batteries, Inc. *	268,200	20,000	Plantronics, Inc.	264,000
10,000	WESCO International, Inc. * ...	192,300	20,000	Plexus Corp. *	339,000
		4,471,440	30,000	Tyco Electronics Ltd.	486,300
			5,000	Valence Technology, Inc. * ...	9,100
					3,741,840
	ELECTRICAL UTILITY -			ENTERTAINMENT (0.5%)	
	CENTRAL (1.1%)		20,000	CBS Corp. Class B	163,800
30,000	ALLETE, Inc.	968,100	12,500	IAC/InterActiveCorp *	196,625
20,000	American Electric Power Company, Inc.	665,600	50,000	Time Warner, Inc.	503,000
20,000	CenterPoint Energy, Inc.	252,400	27,000	Walt Disney Co. (The)	612,630
25,000	OGE Energy Corp.	644,500			1,476,055
35,000	Westar Energy, Inc.	717,850		ENTERTAINMENT	
		3,248,450		TECHNOLOGY (0.2%)	
	ELECTRICAL UTILITY -		30,000	Avid Technology, Inc. *	327,300
	EAST (2.2%)		25,000	Zoran Corp. *	170,750
32,000	Dominion Resources, Inc.	1,146,880			498,050
17,000	Exelon Corp.	945,370		ENVIRONMENTAL (0.6%)	
15,000	FirstEnergy Corp.	728,700	20,000	American Ecology Corp.	404,600
45,000	Pepco Holdings, Inc.	799,200	15,000	Republic Services, Inc.	371,850
14,000	PPL Corp.	429,660	15,000	Tetra Tech, Inc. *	362,250
15,000	Progress Energy, Inc.	597,750	25,000	Waste Management, Inc.	828,500
40,000	Southern Co.	1,480,000			1,967,200
45,000	TECO Energy, Inc.	555,750			
		6,683,310			

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value
FINANCIAL SERVICES - DIVERSIFIED (2.2%)			FOREIGN ELECTRONICS (0.3%)		
10,000	Affiliated Managers Group, Inc. *	\$ 419,200	35,000	Koninklijke Philips Electronics N.V.	\$ 695,450
15,000	AllianceBernstein Holding L.P.	311,850	5,000	Sony Corp. ADR	109,350
18,000	American Express Co.	333,900			804,800
30,000	Ameriprise Financial, Inc.	700,800	FOREIGN TELECOMMUNICATIONS (0.5%)		
2,000	BlackRock, Inc.	268,300	30,000	Deutsche Telekom AG ADR	459,000
12,000	Blackstone Group L.P. (The)	78,360	10,000	Telecom Corporation of New Zealand Ltd. ADR	67,001
30,000	Citigroup, Inc.	201,300	12,000	Telefonica S.A. ADR	808,680
16,000	Credit Suisse Group ADR	452,160	15,000	Vodafone Group PLC ADR	306,600
5,000	Federated Investors, Inc. Class B	84,800			1,641,281
8,000	Franklin Resources, Inc.	510,240	FURNITURE/HOME FURNISHINGS (0.2%)		
15,000	Hartford Financial Services Group, Inc. (The)	246,300	8,000	Mohawk Industries, Inc. *	343,760
12,000	HSBC Holdings PLC ADR	571,949	35,000	Tempur-Pedic International, Inc.	248,150
20,000	ING Groep NV ADR	222,000			591,910
30,000	Invesco Ltd.	433,200	GROCERY (0.3%)		
20,000	Lender Processing Services, Inc.	589,000	30,000	Safeway, Inc.	713,100
25,000	Loews Corp.	706,250	30,000	Whole Foods Market, Inc.	283,200
6,000	Nasdaq OMX Group, Inc. (The) *	148,260			996,300
20,000	Principal Financial Group, Inc.	451,400	HEALTH CARE INFORMATION SYSTEMS (0.1%)		
		6,729,269	30,000	IMS Health, Inc.	454,800
FOOD PROCESSING (1.9%)			HEAVY CONSTRUCTION (0.1%)		
30,000	Archer-Daniels-Midland Co.	864,900	25,000	KHD Humboldt Wedag International Ltd. *	279,250
12,000	Bunge Ltd.	621,240	HOME APPLIANCES (0.1%)		
15,000	Campbell Soup Co.	450,150	5,000	Black & Decker Corp. (The)	209,050
20,000	ConAgra Foods, Inc.	330,000	5,000	Whirlpool Corp.	206,750
10,000	Diageo PLC ADR	567,400			415,800
15,000	General Mills, Inc.	911,250	HOTEL/GAMING (0.1%)		
15,000	Hormel Foods Corp.	466,200	20,000	Orient-Express Hotels Ltd. Class A	153,200
25,000	Kraft Foods, Inc. Class A	671,250	10,000	Wyndham Worldwide Corp.	65,500
35,000	Sara Lee Corp.	342,650			218,700
20,000	Smithfield Foods, Inc. *	281,400	HOUSEHOLD PRODUCTS (0.1%)		
20,000	Unilever PLC ADR	460,400	20,000	Newell Rubbermaid, Inc.	195,600
		5,966,840			
FOOD WHOLESALEERS (0.2%)					
25,000	Sysco Corp.	573,500			

See Notes to Financial Statements.

December 31, 2008

Shares		Value	Shares		Value
	INDUSTRIAL SERVICES (0.3%)		20,000	Terex Corp. *	\$ 346,400
20,000	Amdocs Ltd. *	\$ 365,800	25,000	Watts Water Technologies, Inc. Class A	624,250
15,000	CSG Systems International, Inc. *	262,050			4,365,610
20,000	G&K Services, Inc. Class A	404,400		MARITIME (0.1%)	
	1,032,250		2,000	Alexander & Baldwin, Inc.	50,120
	INFORMATION SERVICES (0.2%)		1,000	DryShips, Inc.	10,660
7,000	Dun & Bradstreet Corp. (The)	540,400	6,000	Excel Maritime Carriers Ltd.	42,240
	INSURANCE - LIFE (0.4%)		15,000	TBS International Ltd. Class A *	150,450
8,000	Lincoln National Corp.	150,720			253,470
20,000	Manulife Financial Corp.	340,600		MEDICAL SERVICES (1.4%)	
10,000	MetLife, Inc.	348,600	35,000	Coventry Health Care, Inc. *	520,800
7,000	Prudential Financial, Inc.	211,820	20,000	Health Net, Inc. *	217,800
15,000	Unum Group	279,000	12,000	Laboratory Corporation of America Holdings *	772,920
	1,330,740		20,000	Lincare Holdings, Inc. *	538,600
	INSURANCE - PROPERTY & CASUALTY (0.7%)		20,000	PSS World Medical, Inc. *	376,400
20,000	American Financial Group, Inc.	457,600	20,000	Quest Diagnostics, Inc.	1,038,200
20,000	Berkley (W.R.) Corp.	620,000	15,000	UnitedHealth Group, Inc.	399,000
5	Berkshire Hathaway, Inc. Class A *	483,000	10,000	WellCare Health Plans, Inc. *	128,600
20,000	HCC Insurance Holdings, Inc.	535,000	8,000	WellPoint, Inc. *	337,040
	2,095,600				4,329,360
	INTERNET (0.3%)			MEDICAL SUPPLIES (2.8%)	
2,500	Google, Inc. Class A *	769,125	12,000	Baxter International, Inc.	643,080
20,000	Yahoo!, Inc. *	244,000	10,000	Becton, Dickinson & Co.	683,900
	1,013,125		9,000	Bio-Rad Laboratories, Inc. Class A *	677,790
	MACHINERY (1.4%)		30,000	Boston Scientific Corp. *	232,200
10,000	Briggs & Stratton Corp.	175,900	15,000	Covidien Ltd.	543,600
5,000	CIRCOR International, Inc.	137,500	15,000	Immucor, Inc. *	398,700
15,000	CNH Global N.V.	234,000	16,000	Inverness Medical Innovations, Inc. *	302,560
10,000	Cummins, Inc.	267,300	30,000	Johnson & Johnson	1,794,900
14,000	Curtiss-Wright Corp.	467,460	15,000	Kinetic Concepts, Inc. *	287,700
15,000	Dover Corp.	493,800	11,067	Life Technologies Corp. *	257,972
8,000	Flowserve Corp.	412,000	15,000	Medtronic, Inc.	471,300
15,000	Foster Wheeler Ltd. *	350,700	24,000	Mentor Corp.	742,320
20,000	Ingersoll-Rand Company Ltd. Class A	347,000	15,000	STERIS Corp.	358,350
10,000	Lincoln Electric Holdings, Inc.	509,300	20,000	Varian Medical Systems, Inc. *	700,800
			15,000	Zimmer Holdings, Inc. *	606,300
					8,701,472

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value
METALS & MINING DIVERSIFIED			OFFICE EQUIPMENT & SUPPLIES		
(0.8%)			(0.2%)		
25,000	Alcoa, Inc.	\$ 281,500	20,000	Lexmark International, Inc.	
15,000	Alliance Resource Partners, L.P.	403,200		Class A *	\$ 538,000
12,000	BHP Billiton Ltd. ADR	514,800	20,000	Xerox Corp.	159,400
20,000	Cameco Corp.	345,000			697,400
25,000	Companhia Vale do Rio Doce ADR	302,750	OIL/GAS DISTRIBUTION (0.2%)		
14,000	Freeport-McMoRan Copper & Gold, Inc.	342,160	10,000	Energy Transfer Partners L.P.	340,100
30,000	Titanium Metals Corp.	264,300	20,000	Linn Energy LLC	305,812
		2,453,710			645,912
METALS FABRICATING (0.2%)			OILFIELD SERVICES/ EQUIPMENT		
37,000	Chicago Bridge & Iron Co. N.V.	371,850	(1.4%)		
15,000	Kennametal, Inc.	332,850	20,000	Cameron International Corp. *	410,000
		704,700	1,000	Compagnie Generale de Geophysique-Veritas ADR *	14,990
NATURAL GAS - DISTRIBUTION			24,000	ENSCO International, Inc.	681,360
(0.3%)			10,000	Helmerich & Payne, Inc.	227,500
20,000	Energy Transfer Equity, L.P. ..	324,200	10,000	Nabors Industries Ltd. *	119,700
20,000	Enterprise Products Partners, L.P.	414,600	22,000	National-Oilwell Varco, Inc. * ..	537,680
21,000	Ferrellgas Partners, L.P.	307,860	25,000	Noble Corp.	552,250
		1,046,660	20,000	Pride International, Inc. *	319,600
NATURAL GAS - DIVERSIFIED			30,000	Rowan Companies, Inc.	477,000
(1.1%)			18,000	Transocean Ltd. *	850,500
15,000	Cabot Oil & Gas Corp.	390,000	10,000	Weatherford International Ltd. *	108,200
14,000	Devon Energy Corp.	919,940			4,298,780
35,000	El Paso Corp.	274,050	PAPER & FOREST PRODUCTS		
10,000	Energen Corp.	293,300	(0.2%)		
15,000	MarkWest Energy Partners L.P.	119,700	24,000	International Paper Co.	283,200
20,000	National Fuel Gas Co.	626,600	8,000	Weyerhaeuser Co.	244,880
35,000	Newfield Exploration Co. * ..	691,250			528,080
		3,314,840	PETROLEUM - INTEGRATED (2.0%)		
NEWSPAPER (0.2%)			14,000	Chevron Corp.	1,035,580
20,000	Gannett Co., Inc.	160,000	18,000	ConocoPhillips	932,400
20,000	New York Times Co. (The) Class A	146,600	15,000	Exxon Mobil Corp.	1,197,450
35,000	News Corp. Class B	335,300	22,000	Marathon Oil Corp.	601,920
		641,900	15,000	Murphy Oil Corp.	665,250
			22,000	Petroleo Brasileiro S.A. ADR ...	538,780
			2,000	Sasol Ltd. ADR	60,660
			20,000	Tesoro Corp.	263,400

See Notes to Financial Statements.

December 31, 2008

Shares		Value	Shares		Value
10,000	Total S.A. ADR	\$ 553,000	12,000	CSX Corp.	\$ 389,640
20,000	Valero Energy Corp.	432,800	10,000	Norfolk Southern Corp.	470,500
		6,281,240			2,275,520
	PETROLEUM - PRODUCING (0.9%)			RECREATION (0.2%)	
10,000	Anadarko Petroleum Corp.	385,500	20,000	Brunswick Corp.	84,200
11,000	Apache Corp.	819,830	16,000	Carnival Corp.	389,120
28,000	Plains Exploration & Production Co. *	650,720	5,000	Harley-Davidson, Inc.	84,850
30,000	St. Mary Land & Exploration Co.	609,300			558,170
25,000	Swift Energy Co. *	420,250		RESTAURANT (0.2%)	
		2,885,600	5,000	CKE Restaurants, Inc.	43,400
	PHARMACY SERVICES (0.2%)		15,000	Starbucks Corp. *	141,900
25,000	CVS Caremark Corp.	718,500	12,000	Yum! Brands, Inc.	378,000
	POWER (0.1%)				563,300
12,000	SunPower Corp. Class A *	444,000		RETAIL - SPECIAL LINES (0.8%)	
	PRECIOUS METALS (0.8%)		25,000	Abercrombie & Fitch Co. Class A	576,750
18,000	AngloGold Ashanti Ltd. ADR	498,780	10,000	American Eagle Outfitters, Inc.	93,600
20,000	Barrick Gold Corp.	735,400	15,000	AnnTaylor Stores Corp. *	86,550
30,000	Harmony Gold Mining Company Ltd. ADR *	329,100	20,000	Best Buy Co., Inc.	562,200
15,000	Newmont Mining Corp.	610,500	20,000	Cabela's, Inc. *	116,600
25,000	Yamana Gold, Inc.	193,000	20,000	Interface, Inc. Class A	92,800
		2,366,780	25,000	NBTY, Inc. *	391,250
	PRECISION INSTRUMENT (0.4%)		20,000	PetSmart, Inc.	369,000
20,000	OSI Systems, Inc. *	277,000	16,000	RadioShack Corp.	191,040
40,000	PerkinElmer, Inc.	556,400			2,479,790
15,000	Thermo Fisher Scientific, Inc. *	511,050		RETAIL BUILDING SUPPLY (0.1%)	
		1,344,450	20,000	Home Depot, Inc. (The)	460,400
	R.E.I.T. (0.1%)			RETAIL STORE (0.7%)	
8,000	Hospitality Properties Trust	118,960	15,000	J.C. Penney Company, Inc.	295,500
15,000	Host Hotels & Resorts, Inc.	113,550	10,000	Macy's, Inc.	103,500
		232,510	20,000	Nordstrom, Inc.	266,200
	RAILROAD (0.7%)		25,000	Wal-Mart Stores, Inc.	1,401,500
6,000	Burlington Northern Santa Fe Corp.	454,260			2,066,700
17,000	Canadian National Railway Co.	624,920		SECURITIES BROKERAGE (0.7%)	
10,000	Canadian Pacific Railway Ltd.	336,200	20,000	Charles Schwab Corp. (The)	323,400
			3,000	Goldman Sachs Group, Inc. (The)	253,170
			25,000	Legg Mason, Inc.	547,750
			10,000	Merrill Lynch & Co., Inc.	116,400

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value	
17,000	Morgan Stanley	\$ 272,680	10,000	Polycom, Inc. *	\$ 135,100	
18,000	NYSE Euronext	492,840	8,000	QUALCOMM, Inc.	286,640	
		2,006,240			2,173,240	
	SEMICONDUCTOR (0.6%)			TRUCKING (0.2%)		
15,000	Analog Devices, Inc.	285,300	12,000	Ryder System, Inc.	465,360	
5,000	Canadian Solar, Inc. *	32,300		WATER UTILITY (0.5%)		
30,000	Intel Corp.	439,800	25,000	American States Water Co. ...	824,500	
5,000	International Rectifier Corp. * ..	67,500	14,000	California Water Service Group	650,020	
25,000	Linear Technology Corp.	553,000			1,474,520	
30,000	NVIDIA Corp. *	242,100		WIRELESS NETWORKING (0.1%)		
15,000	Texas Instruments, Inc.	232,800	10,000	Research In Motion Ltd. *	393,895	
		1,852,800		TOTAL COMMON STOCKS (Cost \$198,559,021)	164,300,183	
	SHOE (0.1%)			PREFERRED STOCKS (0.6%)		
20,000	Brown Shoe Company, Inc. ...	169,400		ELECTRICAL EQUIPMENT (0.2%)		
	STEEL - GENERAL (0.2%)			24,400	General Electric Capital Corp. 4 1/2% (1)	483,120
10,000	Nucor Corp.	462,000		FINANCIAL SERVICES - DIVERSIFIED (0.2%)		
	STEEL - INTEGRATED (0.2%)		32,200	HSBC Holdings PLC 6 1/5% ...	598,276	
30,000	Mueller Water Products, Inc. Class A	252,000		INSURANCE - LIFE (0.1%)		
1,000	POSCO ADR	75,250	25,000	MetLife, Inc. Series B 6 1/2%	426,750	
10,000	United States Steel Corp.	372,000		R.E.I.T. (0.1%)		
		699,250	20,000	Health Care REIT, Inc. Series F 7 5/8%	370,000	
	TELECOMMUNICATION SERVICES (0.9%)			TOTAL PREFERRED STOCKS (Cost \$2,479,729)	1,878,146	
22,000	AT&T, Inc.	627,000		Principal Amount		
18,000	BT Group PLC ADR	359,640		U.S. TREASURY OBLIGATIONS (13.3%)		
10,000	Dycom Industries, Inc. *	82,200	\$7,000,000	U.S. Treasury Notes, 4.50%, 2/15/09	7,035,546	
12,000	Embarq Corp.	431,520	7,000,000	U.S. Treasury Notes, 5.50%, 5/15/09	7,136,717	
10,000	Millicom International Cellular S.A.	449,100	6,861,420	U.S. Treasury Notes, 0.88%, 4/15/10 (2)	6,450,812	
20,000	Turkcell Iletisim Hizmetleri AS ADR	291,600				
16,000	Verizon Communications, Inc.	542,400				
5,000	Vimpel-Communications ADR	35,800				
		2,819,260				
	TELECOMMUNICATIONS EQUIPMENT (0.7%)					
50,000	Cisco Systems, Inc. *	815,000				
20,000	Harmonic, Inc. *	112,200				
10,000	Motorola, Inc.	44,300				
50,000	Nokia Oyj ADR	780,000				

See Notes to Financial Statements.

December 31, 2008

Principal Amount		Value	Principal Amount		Value
\$4,000,000	U.S. Treasury Notes, 4.75%, 3/31/11	\$ 4,355,936	CONVERTIBLE CORPORATE BONDS & NOTES (5.8%)		
6,548,880	U.S. Treasury Notes, 2.38%, 4/15/11 (2)	6,395,905	AEROSPACE/DEFENSE (0.2%)		
6,405,780	U.S. Treasury Notes, 2.00%, 4/15/12 (2)	6,248,640	\$1,000,000	AAR Corp. 1.75%, 2/1/26 ...	\$ 770,000
3,341,400	U.S. Treasury Notes, 1.88%, 7/15/15 (2)	3,157,362	BIOTECHNOLOGY (0.5%)		
	TOTAL U.S. TREASURY OBLIGATIONS (Cost \$40,252,821)	40,780,918	1,500,000	Amgen, Inc. 0.38%, 2/1/13 ...	1,426,875
	U.S. GOVERNMENT AGENCY OBLIGATIONS (8.6%)		COMPUTER & PERIPHERALS (0.4%)		
3,000,000	Federal Farm Credit Bank, 4.38%, 6/23/11	3,050,235	1,500,000	Maxtor Corp. Senior Notes, 2.38%, 8/15/12	909,375
3,000,000	Federal Farm Credit Bank, 3.90%, 2/4/13	3,003,189	1,250,000	SanDisk Corp. 1.00%, 5/15/13	500,000
3,000,000	Federal Farm Credit Bank, 4.10%, 5/15/13	3,027,135			1,409,375
2,000,000	Federal Farm Credit Bank, 4.24%, 6/3/13	2,059,802	COMPUTER SOFTWARE & SERVICES (0.6%)		
3,000,000	Federal Home Loan Bank, 4.88%, 5/14/10	3,163,842	1,000,000	Euronet Worldwide, Inc. Senior Debentures, 3.50%, 10/15/25	642,500
3,000,000	Federal Home Loan Bank, 5.55%, 6/12/12	3,060,606	1,500,000	Tech Data Corp. Senior Debentures, 2.75%, 12/15/26	1,095,000
2,000,000	Federal Home Loan Bank, 4.15%, 4/2/13	2,000,000			1,737,500
2,000,000	Federal Home Loan Bank, 4.55%, 6/19/13	2,028,882	DRUG (0.6%)		
2,000,000	Federal Home Loan Bank, 4.90%, 7/22/13	2,038,432	1,250,000	Cubist Pharmaceuticals, Inc. 2.25%, 6/15/13	1,167,188
2,000,000	Federal Home Loan Bank, 4.60%, 1/14/15	2,045,768	750,000	Valeant Pharmaceuticals International 4.00%, 11/15/13	648,750
1,065,122	Federal National Mortgage Association Benchmark REMIC Series 20069-B1 Class AB, 6.00%, 6/25/16	1,088,442			1,815,938
	TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS (Cost \$26,067,550)	26,566,333	ELECTRICAL EQUIPMENT (0.7%)		
			2,000,000	General Cable Corp. Senior Notes, 1.00%, 10/15/12 ...	1,247,500
			1,750,000	WESCO International, Inc. 1.75%, 11/15/26 ...	964,687
					2,212,187
			ELECTRONICS (0.3%)		
			1,020,000	Flextronics International Ltd. 1.00%, 8/1/10	841,500
			ENVIRONMENTAL (0.3%)		
			1,000,000	Allied Waste Industries, Inc. 4.25%, 4/15/34	895,000

See Notes to Financial Statements.

Schedule of Investments

Principal Amount		Value	Principal Amount		Value
	MEDICAL SERVICES (0.3%)			TOTAL CONVERTIBLE CORPORATE BONDS & NOTES (Cost \$23,192,004)	\$ 17,984,000
\$1,500,000	LifePoint Hospitals, Inc. Senior Subordinated Debentures, 3.25%, 8/15/25	\$ 1,078,125		CORPORATE BONDS & NOTES (5.0%)	
	MEDICAL SUPPLIES (0.1%)			ELECTRICAL EQUIPMENT (1.6%)	
1,000,000	Affymetrix, Inc. 3.50%, 1/15/38	386,250	2,000,000	General Electric Capital Corp., 5.50%, 11/15/11 ...	1,986,138
	OILFIELD SERVICES/ EQUIPMENT (0.4%)		1,000,000	General Electric Capital Corp., 4.00%, 2/15/12	956,609
1,000,000	Helix Energy Solutions Group, Inc. 3.25%, 12/15/25	441,250	2,000,000	Thomas & Betts Corp., 6.39%, 2/10/09	2,004,640
1,000,000	Transocean, Inc. Senior Notes Series C, 1.50%, 12/15/37	770,000		4,947,387	
	1,211,250			FOOD PROCESSING (0.3%)	
	SEMICONDUCTOR (0.8%)		1,000,000	Sensient Technologies Corp., 6.50%, 4/1/09	996,661
1,000,000	LSI Corp. 4.00%, 5/15/10 ...	933,750		HOTEL/GAMING (0.2%)	
1,000,000	Xilinx, Inc. Subordinated Debentures, 3.13%, 3/15/37	678,750	1,000,000	Marriott International, 5.81%, 11/10/15	701,288
1,750,000	Yingli Green Energy Holding Co. Ltd. 0.0% 12/15/12 (3)	901,250		MACHINERY (0.6%)	
	2,513,750		2,000,000	Whirlpool Corp., 6.13%, 6/15/11	1,781,910
	TELECOMMUNICATION SERVICES (0.2%)			MEDICAL SUPPLIES (0.4%)	
1,000,000	NII Holdings, Inc. 3.13%, 6/15/12	606,250	1,250,000	Fisher Scientific International, Inc., Senior Subordinated Notes, 6.13%, 7/1/15	1,102,981
	TELECOMMUNICATIONS EQUIPMENT (0.3%)			METALS & MINING DIVERSIFIED (0.9%)	
1,000,000	Lucent Technologies, Inc. Series A 2.88%, 6/15/23 ...	830,000	1,000,000	Alcoa, Inc., 6.00%, 7/15/13	905,050
	WIRELESS NETWORKING (0.1%)		1,000,000	Freeport-McMoRan Copper & Gold, Inc., 6.88%, 2/1/14	900,930
1,250,000	Powerwave Technologies, Inc. Subordinated Notes, 1.88%, 11/15/24	250,000	1,060,000	Southern Copper Corp., 6.38%, 7/27/15	958,664
				2,764,644	
				RETAIL STORE (0.6%)	
			1,000,000	J.C. Penney Corp., Inc., 8.00%, 3/1/10	970,988

See Notes to Financial Statements.

December 31, 2008

Principal Amount		Value
\$1,025,000	Macy's Retail Holdings, Inc., 5.88%, 1/15/13	\$ 721,950
		<u>1,692,938</u>
	SECURITIES BROKERAGE (0.0%)	
750,000	Lehman Brothers Holdings, Inc., 5.63%, 1/24/13 (4) . . .	75,000
	SEMICONDUCTOR (0.4%)	
1,500,000	National Semiconductor Corp., Senior Notes, 6.15%, 6/15/12	<u>1,344,469</u>
	TOTAL CORPORATE BONDS & NOTES (Cost \$17,028,126)	<u>15,407,278</u>
	TOTAL INVESTMENT SECURITIES (86.7%) (Cost \$307,579,251)	<u>266,916,858</u>
	CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (13.3%)	<u>40,831,020</u>
	NET ASSETS (100%)	<u>\$307,747,878</u>
	NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$307,747,878 ÷ 48,147,899 shares outstanding)	<u>\$ 6.39</u>

* Non-income producing.

(1) Multi-coupon preferred security.

(2) Treasury Inflation Protected Security (TIPS).

(3) Zero Coupon Bond.

(4) Security currently in default.

ADR American Depositary Receipt.

GDR Global Depositary Receipt.

See Notes to Financial Statements.

**Statement of Assets and Liabilities
at December 31, 2008**

Assets:	
Investment securities, at value (Cost - \$307,579,251)	\$266,916,858
Cash	43,141,517
Interest and dividends receivable	1,238,721
Receivable for capital shares sold	467,497
Receivable for securities sold	463,771
Prepaid expenses	21,345
Total Assets	<u>312,249,709</u>
Liabilities:	
Payable for securities purchased	3,605,695
Payable for capital shares repurchased	577,528
Accrued expenses:	
Advisory fee	170,248
Service and distribution plan fees	63,826
Directors' fees and expenses	10,621
Other	73,913
Total Liabilities	<u>4,501,831</u>
Net Assets	<u>\$307,747,878</u>
Net assets consist of:	
Capital stock, at \$1.00 par value (authorized 50,000,000, outstanding 48,147,899 shares)	\$ 48,147,899
Additional paid-in capital	316,325,063
Distributions in excess of net investment income	(14,297)
Accumulated net realized loss on investments and foreign currency	(16,047,692)
Net unrealized depreciation of investments and foreign currency translations	<u>(40,663,095)</u>
Net Assets	<u>\$307,747,878</u>
Net Asset Value, Offering and Redemption Price per Outstanding Share (\$307,747,878 ÷ 48,147,899 shares outstanding)	
	<u>\$ 6.39</u>

**Statement of Operations
for the Year Ended December 31, 2008**

Investment Income:	
Interest	\$ 6,165,524
Dividends (net of foreign withholding tax of \$79,715)	4,480,891
Total Income	<u>10,646,415</u>
Expenses:	
Advisory fee	2,390,964
Service and distribution plan fees	900,371
Auditing and legal fees	188,100
Transfer agent fees	133,226
Printing and postage	106,777
Custodian fees	104,719
Registration and filing fees	49,253
Directors' fees and expenses	39,293
Insurance	25,970
Other	13,022
Total Expenses Before Custody Credits	3,951,695
Less: Custody Credits	(39,981)
Net Expenses	<u>3,911,714</u>
Net Investment Income	<u>6,734,701</u>
Net Realized and Unrealized Loss on Investments and Foreign Exchange Transactions:	
Net Realized Loss	(15,454,135)
Change in Net Unrealized Appreciation/ (Depreciation)	<u>(76,531,919)</u>
Net Realized Loss and Change in Net Unrealized Appreciation/(Depreciation) on Investments and Foreign Exchange Transactions	<u>(91,986,054)</u>
Net Decrease in Net Assets from Operations	<u>\$ (85,251,353)</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets
for the Years Ended December 31, 2008 and 2007

	Year Ended December 31, 2008	Year Ended December 31, 2007
Operations:		
Net investment income	\$ 6,734,701	\$ 8,273,821
Net realized gain/(loss) on investments and foreign currency	(15,454,135)	23,899,416
Change in net unrealized appreciation/(depreciation)	(76,531,919)	(4,260,969)
Net increase/(decrease) in net assets from operations	(85,251,353)	27,912,268
Distributions to Shareholders:		
Net investment income	(7,090,545)	(7,846,820)
Net realized gain from investment transactions	(1,324,740)	(25,675,604)
Return of capital	(3,975,558)	—
Total Distributions	(12,390,843)	(33,522,424)
Capital Share Transactions:		
Proceeds from sale of shares	87,684,677	70,031,607
Proceeds from reinvestment of dividends and distributions to shareholders	11,332,184	30,962,778
Cost of shares repurchased	(79,875,485)	(67,085,298)
Net increase in net assets from capital share transactions	19,141,376	33,909,087
Total Increase/(Decrease) in Net Assets	(78,500,820)	28,298,931
Net Assets:		
Beginning of year	386,248,698	357,949,767
End of year	\$ 307,747,878	\$ 386,248,698
Distributions in excess of net investment income and undistributed net investment income, respectively, at end of year	\$ (14,297)	\$ 705,279

See Notes to Financial Statements.

Notes to Financial Statements

1. Significant Accounting Policies

Value Line Income and Growth Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company whose primary investment objective is income, as high and dependable as is consistent with reasonable risk. Capital growth to increase total return is a secondary objective.

The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

(A) Security Valuation. Securities listed on a securities exchange are valued at the closing sales prices on the date as of which the net asset value is being determined. Securities traded on the NASDAQ Stock Market are valued at the NASDAQ Official Closing Price. In the absence of closing sales prices for such securities and for securities traded in the over-the-counter market, the security is valued at the midpoint between the latest available and representative asked and bid prices. Short-term instruments with maturities of 60 days or less at the date of purchase are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available or which are not readily marketable and all other assets of the Fund are valued at fair value as the Board of Directors may determine in good faith. In addition, the Fund may use the fair value of a security when the closing market price on the primary exchange where the security is traded no longer accurately reflects the value of a security due to factors affecting one or more relevant securities markets or the specific issuer.

The Board of Directors has determined that the value of bonds and other fixed-income securities be calculated on the valuation date by reference to valuations obtained from an independent pricing service which determines valuations for normal institutional-size trading units of debt securities, without exclusive reliance upon quoted prices. This service takes into account appropriate factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data in determining valuations.

(B) Fair Value Measurements. The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 — quoted prices in active markets for identical investments

December 31, 2008

- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund's investments carried at value:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1 — Quoted		
Prices	\$166,178,329	—
Level 2 — Other Significant		
Observable Inputs	100,738,529	—
Level 3 — Significant		
Unobservable Inputs	—	—
Total	\$266,916,858	—

* *Other financial instruments include futures, forwards and swap contracts.*

For the year ended December 31, 2008, there were no Level 3 investments.

(C) Repurchase Agreements. In connection with transactions in repurchase agreements, the Fund's custodian takes possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, it is the Fund's policy to mark-to-market the collateral on a daily basis to ensure the adequacy of the collateral. In the event of default of the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal

proceedings. There were no open repurchase agreements at December 31, 2008.

(D) Federal Income Taxes. It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, including the distribution requirements of the Tax Reform Act of 1986, and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

(E) Security Transactions and Distributions. Security transactions are accounted for on the date the securities are purchased or sold. Interest income, adjusted for amortization of discount and premium, is accrued as earned. Realized gains and losses on sales of securities are calculated for financial accounting and federal income tax purposes on the identified cost basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

The Fund may invest in Treasury Inflation-Protection Securities (TIPS). The principal value and interest payout of TIPS are periodically adjusted according to the rate of inflation based on the Consumer Price Index. The adjustments for principal and income due to inflation are reflected in interest income in the Statement of Operations.

(F) Foreign Currency Translation. The books and records of the Fund are maintained in U.S. dollars. Assets and liabilities which are denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange. The Fund does not isolate changes in the value of investments caused by foreign exchange rate differences from the changes due to other circumstances.

Income and expenses are translated to U.S. dollars based upon the rates of exchange on the respective dates of such transactions.

Notes to Financial Statements

Net realized foreign exchange gains or losses arise from currency fluctuations realized between the trade and settlement dates on securities transactions, the differences between the U.S. dollar amounts of dividends, interest, and foreign withholding taxes recorded by the Fund, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, other than investments, at the end of the fiscal period, resulting from changes in the exchange rates. The effect of the change in foreign exchange rates on the value of investments is included in realized gain/loss on investments and change in net unrealized appreciation/depreciation on investments.

(G) Representations and Indemnifications. In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

(H) Accounting for Real Estate Investment Trusts. The Fund owns shares of Real Estate Investment Trusts ("REITs") which report information on the source of their distributions annually. Distributions received from REITs during the year which represent a return of capital are recorded as a reduction of cost and distributions which represent a capital gain dividend are recorded as a realized long-term capital gain on investments.

(I) Foreign Taxes. The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

2. Investment Risks

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ("GNMA" or "Ginnie Mae"), a wholly-owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association ("FNMA" or "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

3. Capital Share Transactions, Dividends and Distributions to Shareholders

Transactions in capital stock were as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007
Shares sold	11,460,292	7,872,405
Shares issued to shareholders in reinvestment of dividends and distributions . . .	1,609,436	3,640,928
Shares repurchased . . .	(10,641,714)	(7,558,649)

December 31, 2008

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Net increase	2,428,014	3,954,684
Dividends per share from net investment income	\$ 0.1506	\$ 0.1850
Distributions per share from net realized gains . .	\$ 0.0278	\$ 0.5975
Distributions per share from return of capital	\$ 0.0844	\$ —

4. Purchases and Sales of Securities

Purchases and sales of investment securities, excluding short-term securities, were as follows:

	<u>Year Ended</u> <u>December 31, 2008</u>
Purchases:	
U.S. Treasury & Government Agency Obligations	\$ 49,848,855
Other Investment Securities . . .	232,746,273
	<u>\$ 282,595,128</u>
Sales & Redemptions:	
U.S. Treasury & Government Agency Obligations	\$ 84,265,803
Other Investment Securities . . .	198,727,988
	<u>\$ 282,993,791</u>

5. Income Taxes

At December 31, 2008, information on the tax components of capital is as follows:

Cost of investments for tax purposes . .	<u>\$313,776,017</u>
Gross tax unrealized appreciation.	\$ 13,371,857
Gross tax unrealized depreciation.	<u>(60,231,016)</u>

Net tax unrealized depreciation on investments.	<u>\$ (46,859,159)</u>
Undistributed ordinary income	<u>\$ —</u>
Undistributed long-term gain	<u>\$ —</u>
Capital loss carryforward, expires December 31, 2016.	<u>\$ (4,907,955)</u>

During the year ended December 31, 2008, as permitted under federal income tax regulations, the Fund elected to defer \$4,850,073 of post-October net capital losses to the next taxable year.

To the extent that current or future capital gains are offset by capital losses, the Fund does not anticipate distributing any such gains to shareholders.

It is uncertain whether the Fund will be able to realize the benefits of the losses before they expire.

Net unrealized gain (loss) differs from financial statements and tax purposes primarily due to wash sales and investments in partnerships.

Permanent book tax differences relating to the current year were reclassified within the composition of the net asset accounts. The Fund decreased undistributed net investment income by approximately \$363,732 and decreased accumulated net realized loss by \$363,732. Net assets were not affected by this reclassification. These reclassifications were due to differing treatments of investments in partnerships, consent fees and foreign currency translation for tax purposes.

The tax composition of distributions to shareholders for the years ended December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Ordinary income . . .	\$ 7,117,254	\$15,358,315
Long-term capital gain	1,298,031	18,164,109
Return of capital . . .	3,975,558	—
	<u>\$12,390,843</u>	<u>\$33,522,424</u>

Notes to Financial Statements

6. Investment Advisory Fees, Service and Distribution Fees, and Transactions With Affiliates

On June 30, 2008, Value Line, Inc. (“Value Line”) reorganized its investment management division into EULAV Asset Management, LLC (“EULAV”), a newly formed, wholly-owned subsidiary. As part of the reorganization, each advisory agreement was transferred from Value Line to EULAV and EULAV replaced Value Line as the Fund’s investment adviser. The portfolio managers, who are now employees of EULAV, have not changed as a result of the reorganization.

An advisory fee of \$2,390,964 was paid or payable to Value Line or EULAV (the “Adviser”), the Fund’s investment adviser, for the year ended December 31, 2008. This was computed at the rate of 0.70% of the first \$100 million of the Fund’s average daily net assets plus 0.65% on the excess thereof, and paid monthly. The Adviser provides research, investment programs and supervision of the investment portfolio and pays costs of administrative services, office space, equipment, and compensation of administrative, bookkeeping, and clerical personnel necessary for managing the affairs of the Fund. The Adviser also provides persons, satisfactory to the Fund’s Board of Directors, to act as officers and employees of the Fund and pays their salaries. Direct expenses of the Fund are charged to the Fund while common expenses of the Value Line Funds are allocated proportionately based upon the funds’ respective net assets. The Fund bears all other costs and expenses.

The Fund has a Service and Distribution Plan (the “Plan”), adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, for the payment of certain expenses incurred by Value Line Securities, Inc. (the “Distributor”), a wholly-owned subsidiary of Value Line, in advertising, marketing and distributing the Fund’s shares and for servicing the Fund’s shareholders at an annual rate of 0.25% of the Fund’s average daily net assets. For the year

ended December 31, 2008, fees amounting to \$900,371 were paid or payable to the Distributor under the Plan.

For the year ended December 31, 2008, the Fund’s expenses were reduced by \$39,981 under a custody credit arrangement with the custodian.

Certain officers, employees and a director of Value Line and/or affiliated companies are also officers and a director of the Fund.

Value Line and/or affiliated companies and the Value Line, Inc. Profit Sharing and Savings Plan owned 242,996 shares of the Fund’s capital stock, representing less than 1% of the outstanding shares at December 31, 2008. In addition, officers and directors of the Fund as a group owned 3,797 shares of the Fund, representing less than 1% of the outstanding shares.

7. Concentration of Credit Risk

At December 31, 2008, the Fund had \$43,141,517 (or 14.02% of total net assets) in cash held at its custodian State Street Bank & Trust (SSBT).

8. Other

By letter dated June 15, 2005, the staff of the Northeast Regional Office of the Securities and Exchange Commission (“SEC”) informed Value Line that it was conducting an investigation in the matter of Value Line Securities, Inc. (“VLS”). Value Line has supplied numerous documents to the SEC in response to its requests and various individuals, including employees and former employees of Value Line, directors of the Fund and others, have provided testimony to the SEC. On May 8, 2008, the SEC issued a formal order of private investigation regarding whether VLS’ brokerage charges and related expense reimbursements from the Value Line Funds (“Funds”) during periods prior to 2005 were excessive and whether adequate disclosure was made to the SEC and the boards of directors and

December 31, 2008

shareholders of the Funds. Thereafter, certain officers of Value Line, who are former officers of the Funds, asserted their constitutional privilege not to provide testimony. Value Line has informed the Funds that it believes the SEC has completed the fact finding phase of its investigation and Value Line will seek to settle this matter with the SEC. Although management of Value Line cannot determine the effect that the investigation will have

on Value Line's financial statements, it believes that any settlement is likely to be material to it and has informed the Funds of its belief, in light of settlement discussions to date, that there are no loss contingencies that should be accrued or disclosed in the Fund's financial statements and that the resolution of this matter is not likely to have a materially adverse effect on the ability of the Adviser or VLS to perform their respective contracts with the Fund.

Financial Highlights

Selected data for a share of capital stock outstanding throughout each year:

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Net asset value, beginning of year	\$ 8.45	\$ 8.57	\$ 8.37	\$ 8.35	\$ 8.23
Income from investment operations:					
Net investment income	0.14	0.19	0.19	0.15	0.11
Net gains or (losses) on securities (both realized and unrealized)	(1.94)	0.48	0.73	0.68	1.06
Total from investment operations	(1.80)	0.67	0.92	0.83	1.17
Less distributions:					
Dividends from net investment income	(0.15)	(0.19)	(0.23)	(0.15)	(0.11)
Distributions from net realized gains. . .	(0.03)	(0.60)	(0.49)	(0.66)	(0.94)
Return of capital	(0.08)	—	—	—	—
Total distributions	(0.26)	(0.79)	(0.72)	(0.81)	(1.05)
Net asset value, end of year.	\$ 6.39	\$ 8.45	\$ 8.57	\$ 8.37	\$ 8.35
Total return.	(21.52)%	7.84%	11.07%	9.98%	14.39%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands) . .	\$307,748	\$386,249	\$357,950	\$276,896	\$230,559
Ratio of expenses to average net assets ⁽¹⁾	1.10%	1.05%	1.07%	1.09%	1.11%
Ratio of net investment income to average net assets.	1.87%	2.18%	2.21%	1.81%	1.31%
Portfolio turnover rate	86%	56%	62%	71%	103%

⁽¹⁾ Ratio reflects expenses grossed up for custody credit arrangement. The ratio of expenses to average net assets net of custody credits would have been 1.09% for the year ended December 31, 2008, 1.04% for the year ended December 31, 2007, and 1.06% for the year ended December 31, 2006 and would not have changed for the other years shown.

See Notes to Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Value Line Income and Growth Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Value Line Income and Growth Fund, Inc. (the "Fund") at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statement and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York

February 27, 2009

Federal Tax Notice (unaudited)

For corporate taxpayers, 45.72% of the ordinary income distribution paid during the calendar year 2008, qualify for the corporate dividends received deductions.

During the calendar year 2008, 30.24% of the ordinary income distribution are treated as qualified dividends.

During the calendar year 2008, the Fund distributed \$1,298,031 of long-term capital gain to its shareholders.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Forms N-Q are available on the SEC’s website at <http://www.sec.gov> and may be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the Fund voted these proxies during the most recent 12-month period ended June 30 is available through the Fund’s website at <http://www.vlfunds.com> and on the SEC’s website at <http://www.sec.gov>. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-243-2729.

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Management of the Fund

MANAGEMENT INFORMATION

The business and affairs of the Fund are managed by the Fund’s officers under the direction of the Board of Directors. The following table sets forth information on each Director and Officer of the Fund. Each Director serves as a director or trustee of each of the 14 Value Line Funds. Each Director serves until his or her successor is elected and qualified.

Name, Address, and Age	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Director
Interested Director*				
Thomas T. Sarkany Age 62	Director	Since 2008	Mutual Fund Marketing Director of Value Line Securities, Inc. (the “Distributor”).	None
Non-Interested Directors				
Joyce E. Heinzerling 500 East 77th Street New York, NY 10162 Age 53	Director	Since 2008	General Counsel, Archery Capital LLC (private investment fund).	Burnham Investors Trust, since 2004 (4 funds).
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 Age 77	Director (Lead Independent Director since 2008)	Since 2000	Professor of History, Williams College, (1961–2002). Professor Emeritus since 2002. President Emeritus since 1994 and President, (1985–1994); Chairman (1993–1997) and Interim President (2002–2003) of the American Council of Learned Societies. Trustee since 1997 and Chairman of the Board since 2005, National Humanities Center.	None
David H. Porter 5 Birch Run Drive Saratoga Springs, NY 12866 Age 73	Director	Since 1997	Visiting Professor of Classics, Williams College, since 1999; President Emeritus, Skidmore College since 1999 and President, (1987–1998).	None
Paul Craig Roberts 169 Pompano St. Panama City Beach, FL 32413 Age 69	Director	Since 1983	Chairman, Institute for Political Economy.	None

Management of the Fund

Name, Address, and Age	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Director
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 Age 59	Director	Since 1996	Senior Financial Advisor, Veritable L.P. (Investment adviser) since 2004; Senior Financial Advisor, Hawthorn, (2001–2004).	None
Daniel S. Vandivort 59 Indian Head Road Riverside, CT 06878 Age 54	Director	Since 2008	President, Chief Investment Officer, Weiss, Peck and Greer/Robeco Investment Management 2005–2007; Managing Director, Weiss, Peck and Greer, 1995–2005.	None
Officers				
Mitchell E. Appel Age 38	President	Since 2008	President of each of the Value Line Funds since June 2008; Chief Financial Officer of Value Line since April 2008 and from September 2005 to November 2007; Treasurer from June 2005 to September 2005; Chief Financial Officer of XTF Asset Management from November 2007 to April 2008; Chief Financial Officer of Circle Trust Company from January 2003 to May 2005; Chief Financial Officer of the Distributor since April 2008.	
Howard A. Brecher Age 55	Vice President and Secretary	Since 2008	Vice President and Secretary of each of the Value Line Funds since June 2008; Vice President, Secretary and a Director of Value Line; Vice President of the Distributor and Secretary since June 2008; Vice President, Secretary, Treasurer, General Counsel and a Director of Arnold Bernhard & Co., Inc.	
Emily D. Washington Age 30	Treasurer	Since 2008	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer) of each of the Value Line Funds since August 2008; Associate Director of Mutual Fund Accounting at Value Line until August 2008.	

* *Mr. Sarkany is an “interested person” as defined in the Investment Company Act of 1940 by virtue of his position with the Distributor.*

Unless otherwise indicated, the address for each of the above officers is c/o Value Line Funds, 220 East 42nd Street, New York, NY 10017.

The Fund’s Statement of Additional Information (SAI) includes additional information about the Fund’s Directors and is available, without charge, upon request by calling 1-800-243-2729 or on the Fund’s website, www.vlfunds.com.

The Value Line Family of Funds

1950 — *The Value Line Fund* seeks long-term growth of capital. Current income is a secondary objective.

1952 — *Value Line Income and Growth Fund's* primary investment objective is income, as high and dependable as is consistent with reasonable risk. Capital growth to increase total return is a secondary objective.

1956 — *The Value Line Premier Growth Fund* seeks long-term growth of capital. No consideration is given to current income in the choice of investments.

1972 — *Value Line Larger Companies Fund's* sole investment objective is to realize capital growth.

1979 — *The Value Line Cash Fund*, a money market fund, seeks to secure as high a level of current income as is consistent with maintaining liquidity and preserving capital. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

1981 — *Value Line U.S. Government Securities Fund* seeks maximum income without undue risk to capital. Under normal conditions, at least 80% of the value of its net assets will be invested in securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities.

1983 — *Value Line Centurion Fund** seeks long-term growth of capital.

1984 — *The Value Line Tax Exempt Fund* seeks to provide investors with the maximum income exempt from

federal income taxes while avoiding undue risk to principal. The fund may be subject to state and local taxes and the Alternative Minimum Tax (if applicable).

1985 — *Value Line Convertible Fund* seeks high current income together with capital appreciation primarily from convertible securities ranked 1 or 2 for year-ahead performance by the Value Line Convertible Ranking System.

1986 — *Value Line Aggressive Income Trust* seeks to maximize current income.

1987 — *Value Line New York Tax Exempt Trust* seeks to provide New York taxpayers with the maximum income exempt from New York State, New York City and federal income taxes while avoiding undue risk to principal. The Trust may be subject to state and local taxes and the Alternative Minimum Tax (if applicable).

1987 — *Value Line Strategic Asset Management Trust** seeks to achieve a high total investment return consistent with reasonable risk.

1993 — *Value Line Emerging Opportunities Fund* invests primarily in common stocks or securities convertible into common stock, with its primary objective being long-term growth of capital.

1993 — *Value Line Asset Allocation Fund* seeks high total investment return, consistent with reasonable risk. The Fund invests in stocks, bonds and money market instruments utilizing quantitative modeling to determine the asset mix.

* Only available through the purchase of *Guardian Investor*, a tax deferred variable annuity, or *ValuePlus*, a variable life insurance policy.

For more complete information about any of the Value Line Funds, including charges and expenses, send for a prospectus from Value Line Securities, Inc., 220 East 42nd Street, New York, New York 10017-5891 or call 1-800-243-2729, 9am–5pm CST, Monday–Friday, or visit us at www.vlfunds.com. Read the prospectus carefully before you invest or send money.