

INVESTMENT ADVISER Value Line, Inc.
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New York, NY 10017-5891

DISTRIBUTOR Value Line Securities, Inc.
220 East 42nd Street
New York, NY 10017-5891

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Boston, MA 02110

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

**INDEPENDENT
REGISTERED PUBLIC
ACCOUNTING FIRM** PricewaterhouseCoopers LLP
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New York, NY 10017

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Chairman and President
David T. Henigson
*Vice President,
Secretary and Chief
Compliance Officer*
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Treasurer
Howard A. Brecher
*Assistant Secretary/
Assistant Treasurer*

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).

#539207

ANNUAL REPORT

March 31, 2007

*Value Line
Asset
Allocation
Fund, Inc.*



To Our Value Line Asset

To Our Shareholders:

The Value Line Asset Allocation Fund, Inc. earned a total return of 4.62% for the fiscal year ending March 31, 2007. That compared with a total return of 11.83% for the Standard & Poor's 500 Stock Index⁽¹⁾ and a total return of 6.38% for the Lehman Brothers Government/Credit Bond Index⁽²⁾ for the same period. Given our returns the Fund's strategy, which emphasizes earnings momentum and long-term growth, was out of favor during the period.

Your Fund has earned an average annual total return of 7.77% for the five years ending March 31st. That compares with average annual total returns of 7.61% for the S&P 500 and 5.17% for the Lehman Brothers Government/Credit Bond Index for the same period. For the ten-year period, the Fund's annualized return was 9.31%, versus 7.58% for the S&P 500 and 6.36% for the Lehman Brothers Government/Credit Bond Index for the same period.

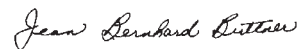
The key to the Fund's long-term success is our highly disciplined investment strategy. We invest only in stocks showing strong earnings momentum and strong stock price momentum. We quickly sell stocks that begin to lag on these measures. The result is a portfolio of true growth companies, the great majority of which show multi-year records of earnings advances and stock price advances. We maintain a widely diversified portfolio of about 250 stocks,

including companies of all sizes and across many different industries. No single holding represents as much as 1% of assets.

Asset allocation is determined by Value Line's proprietary stock and bond market models, which are based on a number of economic and financial variables. For the past year, the allocation to stocks has remained near 75% of assets. High-quality bonds continued to represent 10%–15% of assets, with the remainder of assets invested in cash equivalents. The Value Line stock market model suggests that today's environment is still favorable, and we therefore maintain an above-average weighting in stocks.

Our disciplined investment approach is spearheaded by Steve Grant, who has held primary responsibility for the day-to-day management of the Fund since its inception in 1993. Thank you for your continued confidence in us.

Sincerely,



Jean Bernhard Buttner
Chairman and President

May 14, 2007

⁽¹⁾ The S&P 500 Stock 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, so it is not possible to directly invest in this Index.

⁽²⁾ The Lehman Brothers 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, so it is not possible to directly invest in this Index.

Allocation Fund Shareholders

Economic Observations

The economy slowed steadily over the course of 2006, with the U.S. gross domestic product growth decelerating into the 2.0%–2.5% range in the second half. What’s more, growth has moderated further in the early going this year, with first-quarter GDP showing just a tepid increase of 1.3%. Spreading weakness in the housing market, a softening in retail spending, and stubbornly high oil prices are combining to keep GDP growth on this slower track. These depressants are likely to stay with us for some time, suggesting that the economy will expand by little more than 2% this year. Inflation, which has been largely under control for the past decade, should remain so again this year, perhaps even moderating a little as the economy proceeds at this measured pace.

Meanwhile, the Federal Reserve Board, which has held interest rates at current levels since last June, following two years in which it had raised them steadily, may stay on hold through at least the opening half. Thereafter, we believe that the combination of slow economic growth and moderating inflation could prompt the Fed to start lowering rates. Such a downward course in borrowing costs should help to prevent a recession later this year or in 2008. In fact, the combination of lower interest rates and a modestly reviving housing market should help to lift GDP growth back up to 2.5%–3.0% next year. Economic growth along these lines and accompanying subdued inflation should prove generally positive for the stock and bond markets, in our opinion.

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 (October 1, 2006 through March 31, 2007).

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.

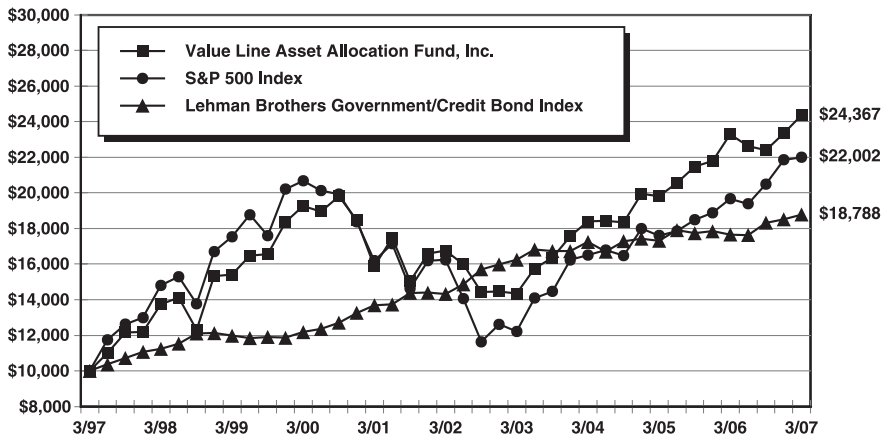
Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine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

	Beginning account value 10/1/06	Ending account value 3/31/07	Expenses* paid during period 10/1/06 thru 3/31/07
Actual	\$1,000.00	\$1,088.10	\$5.46
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.71	\$5.28

* Expenses are equal to the Fund’s annualized expense ratio of 1.05% multiplied by the average account value over the period, multiplied by 182/365 to reflect the one-half period. This expense ratio may differ from the expense ratio shown in the Financial Highlights.

The following graph compares the performance of the Value Line Asset Allocation Fund, Inc. to that of the Lehman Brothers Government/Credit Bond Index and the S&P 500 Index. The Value Line Asset Allocation 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 Asset Allocation Fund, Inc., Lehman Brothers Government/Credit Bond Index and the S&P 500 Index**



** The Standard & Poor's 500 Index is an unmanaged Index that is representative of the large capitalization stocks traded in the United States.

The Lehman Brothers Government/Credit Bond Index is an unmanaged Index that generally represents the U.S. Bond Market, with issues having an average maturity of 9.8 years.

PERFORMANCE DATA:*

	Average Annual Total Return	Growth of an Assumed Investment of \$10,000
1 year ended 3/31/07.....	4.62%	\$10,462
5 years ended 3/31/07	7.77%	\$14,537
10 years ended 3/31/07	9.31%	\$24,367

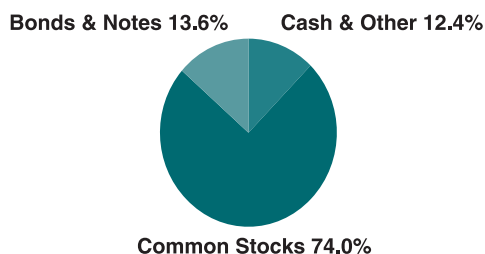
* The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of \$10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value 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.

Portfolio Highlights at March 31, 2007 (unaudited)

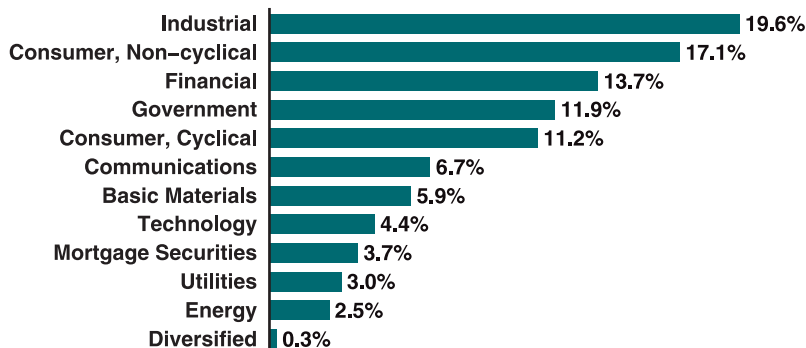
Ten Largest Equity Holdings

Issue	Shares	Value	Percentage of Net Assets
XTO Energy, Inc.	23,666	\$1,297,133	1.0%
Precision Castparts Corp.	8,800	\$ 915,640	0.7%
TXU Corp.	14,000	\$ 897,400	0.7%
Tenaris S.A. ADR	19,500	\$ 895,050	0.7%
Johnson Controls, Inc.	9,000	\$ 851,580	0.7%
NII Holdings, Inc. Class B	11,000	\$ 815,980	0.6%
Allegheny Technologies, Inc.	7,400	\$ 789,506	0.6%
AMETEK, Inc.	22,500	\$ 777,150	0.6%
Ecolab, Inc.	18,000	\$ 774,000	0.6%
C.H. Robinson Worldwide, Inc.	16,000	\$ 764,000	0.6%

Asset Allocation — Percentage of Net Assets



Sector Weightings — Percentage of Total Investment Securities



Schedule of Investments

March 31, 2007

Shares		Value	Shares		Value
COMMON STOCKS (74.0%)					
ADVERTISING (0.8%)					
10,000	aQuantive, Inc.*	\$ 279,100			
10,000	R.H. Donnelley Corp.	708,900			
		988,000			1,988,440
AEROSPACE/DEFENSE (3.4%)					
3,000	Alliant Techsystems, Inc.*	263,760			
5,000	Armor Holdings, Inc.*	336,650			
12,000	BE Aerospace, Inc.*	380,400			
4,000	Boeing Co. (The)	355,640			
4,600	General Dynamics Corp.	351,440			
3,500	L-3 Communications Holdings, Inc.	306,145			
3,000	Lockheed Martin Corp.	291,060			
12,750	Moog, Inc. Class A *	531,037			
8,800	Precision Castparts Corp.	915,640			
5,000	Raytheon Co.	262,300			
7,000	Rockwell Collins, Inc.	468,510			
		4,462,582			
AIR TRANSPORT (0.3%)					
2,600	FedEx Corp.	279,318			
5,100	UTI Worldwide, Inc.	125,358			
		404,676			
APPAREL (1.8%)					
5,000	Gildan Activewear, Inc. Class A *...	294,250			
12,800	Guess?, Inc.	518,272			
9,000	Phillips-Van Heusen Corp.	529,200			
8,000	Polo Ralph Lauren Corp. Class A ...	705,200			
4,200	VF Corp.	347,004			
		2,393,926			
AUTO & TRUCK (0.2%)					
2,000	Toyota Motor Corp. ADR	256,320			
AUTO PARTS (0.9%)					
4,300	BorgWarner, Inc.	324,306			
9,000	Johnson Controls, Inc.	851,580			
		1,175,886			
BANK (1.5%)					
11,000	Bank of Hawaii Corp.	583,330	5,000	M&T Bank Corp.	\$ 579,150
6,000	Compass Bancshares, Inc.	412,800	12,000	Wells Fargo & Co.	413,160
					1,988,440
BANK — CANADIAN (0.3%)					
6,800	Royal Bank of Canada	339,320			
BANK — MIDWEST (0.4%)					
11,501	Commerce Bancshares, Inc.	555,613			
BEVERAGE — SOFT DRINK (0.6%)					
20,000	Hansen Natural Corp.*	757,600			
BIOTECHNOLOGY (0.2%)					
4,000	Techne Corp.*	228,400			
BUILDING MATERIALS (0.8%)					
3,000	Fluor Corp.	269,160			
10,000	Jacobs Engineering Group, Inc.*	466,500			
5,000	Washington Group International, Inc.*	332,100			
		1,067,760			
CABLE TV (0.8%)					
10,500	Comcast Corp. Class A *	272,475			
11,000	DIRECTV Group, Inc. (The)*	253,770			
8,000	Rogers Communications, Inc. Class B	262,080			
7,000	Shaw Communications, Inc. Class B	258,440			
		1,046,765			
CEMENT & AGGREGATES (0.6%)					
3,400	Martin Marietta Materials, Inc.	459,680			
3,000	Vulcan Materials Co.	349,440			
		809,120			
CHEMICAL — DIVERSIFIED (1.0%)					
4,000	Air Products & Chemicals, Inc.	295,840			
10,600	Albemarle Corp.	438,204			
10,000	Monsanto Co.	549,600			
		1,283,644			
CHEMICAL — SPECIALTY (1.9%)					
10,000	Airgas, Inc.	421,500			
18,000	Ecolab, Inc.	774,000			

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value
11,400	Praxair, Inc.....	\$ 717,744			
4,000	Sherwin-Williams Co. (The).....	264,160	9,000	E-COMMERCE (0.3%)	
8,400	Sigma-Aldrich Corp.....	348,768		Akamai Technologies, Inc.*.....	\$ 449,280
		2,526,172		EDUCATIONAL SERVICES (0.3%)	
	COMPUTER & PERIPHERALS (0.5%)		4,200	ITT Educational Services, Inc.*	342,258
10,000	Hewlett-Packard Co.....	401,400		ELECTRICAL EQUIPMENT (1.2%)	
4,900	MICROS Systems, Inc.*	264,551	6,600	Cooper Industries Ltd. Class A	296,934
		665,951	6,600	Emerson Electric Co.....	284,394
	COMPUTER SOFTWARE & SERVICES (1.9%)		7,200	General Cable Corp.*.....	384,696
7,300	Accenture Ltd. Class A.....	281,342	6,400	Thomas & Betts Corp.*	312,448
9,500	ANSYS, Inc.*	482,315	11,600	Trimble Navigation Ltd.*.....	311,344
7,000	Cognizant Technology Solutions Corp. Class A*.....	617,890			1,589,816
4,700	DST Systems, Inc.*	353,440		ELECTRICAL UTILITY — CENTRAL (0.9%)	
5,400	Infosys Technologies Ltd. ADR.....	271,350	2,700	Entergy Corp.....	283,284
4,400	SEI Investments Co.....	265,012	14,000	TXU Corp.....	897,400
2,500	Trident Microsystems, Inc.*.....	50,150			1,180,684
5,500	VeriFone Holdings, Inc.*.....	202,015		ELECTRICAL UTILITY — EAST (0.6%)	
		2,523,514	7,000	Exelon Corp.....	480,970
	DIVERSIFIED COMPANIES (2.6%)		4,500	FirstEnergy Corp.....	298,080
6,600	Acuity Brands, Inc.....	359,304			779,050
5,000	American Standard Companies, Inc.....	265,100		ELECTRICAL UTILITY — WEST (0.4%)	
22,500	AMETEK, Inc.....	777,150	8,000	Sempra Energy	488,080
5,200	Brink's Co. (The).....	329,940		ELECTRONICS (1.0%)	
4,700	Danaher Corp.....	335,815	7,000	Amphenol Corp. Class A.....	451,990
4,000	ESCO Technologies, Inc.*	179,280	7,400	Harris Corp.....	377,030
8,000	ITT Corp.....	482,560	8,700	MEMC Electronic Materials, Inc.* ..	527,046
7,800	McDermott International, Inc.*	382,044			1,356,066
5,000	United Technologies Corp.....	325,000		ENVIRONMENTAL (0.8%)	
		3,436,193	15,000	Republic Services, Inc.....	417,300
	DRUG (1.6%)		4,300	Stericycle, Inc.*	350,450
2,400	Allergan, Inc.....	265,968	10,500	Waste Connections, Inc.*.....	314,370
10,400	Celgene Corp.*	545,584			1,082,120
7,000	Covance, Inc.*.....	415,380		FINANCIAL SERVICES — DIVERSIFIED (3.3%)	
7,300	Gilead Sciences, Inc.*	558,450	4,000	Affiliated Managers Group, Inc.*	433,400
10,000	Pharmaceutical Product Development, Inc.....	336,900	3,000	Ambac Financial Group, Inc.....	259,170
		2,122,282	5,000	American Express Co.....	282,000

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value
	MACHINERY (2.9%)				
2,400	Deere & Co.	\$ 260,736	6,300	Kyphon, Inc.*	\$ 284,382
4,700	Foster Wheeler Ltd.*	274,433	5,000	McKesson Corp.....	292,700
9,000	Gardner Denver, Inc.*	313,650	8,000	Owens & Minor, Inc.	293,840
6,400	Graco, Inc.	250,624	2,500	Palomar Medical Technologies, Inc.*	99,875
7,500	IDEX Corp.....	381,600	8,000	ResMed, Inc.*	402,960
9,200	Manitowoc Company, Inc. (The)	584,476	7,000	Respironics, Inc.*	293,930
5,800	MSC Industrial Direct Co., Inc. Class A.....	270,744	5,400	West Pharmaceutical Services, Inc...	250,722
9,600	Roper Industries, Inc.	526,848			6,084,185
5,000	Snap-on, Inc.....	240,500		METALS & MINING DIVERSIFIED (0.6%)	
9,200	Terex Corp.*.....	660,192	7,400	Allegheny Technologies, Inc.	789,506
		3,763,803		METALS FABRICATING (0.3%)	
	MARITIME (0.3%)		8,600	Harsco Corp.....	385,796
9,400	Kirby Corp.*.....	328,812		NATURAL GAS — DISTRIBUTION (0.6%)	
	MEDICAL SERVICES (4.0%)		4,400	AGL Resources, Inc.....	187,968
10,500	DaVita, Inc.*.....	559,860	10,500	Southern Union Co.....	319,095
7,000	Humana, Inc.*.....	406,140	8,100	UGI Corp.....	216,351
9,000	inVentiv Health, Inc.*.....	344,610			723,414
4,700	Laboratory Corporation of America Holdings*.....	341,361		NATURAL GAS — DIVERSIFIED (1.3%)	
6,000	Manor Care, Inc.	326,160	10,000	Southwestern Energy Co.*	409,800
8,000	Pediatrics Medical Group, Inc.*	456,480	23,666	XTO Energy, Inc.	1,297,133
6,500	Psychiatric Solutions, Inc.*.....	262,015			1,706,933
16,000	Sierra Health Services, Inc.*	658,720		NEWSPAPER (0.2%)	
7,500	Sunrise Senior Living, Inc.*	296,400	11,000	News Corp. Class B	269,170
10,360	UnitedHealth Group, Inc.....	548,769		OFFICE EQUIPMENT & SUPPLIES (0.3%)	
10,000	VCA Antech, Inc.*.....	363,100	13,500	Cenveo, Inc.*.....	328,050
8,595	WellPoint, Inc.*	697,055		OILFIELD SERVICES/ EQUIPMENT (0.3%)	
		5,260,670	6,000	FMC Technologies, Inc.*.....	418,560
	MEDICAL SUPPLIES (4.7%)			PACKAGING & CONTAINER (0.3%)	
2,000	Alcon, Inc.	263,640	11,000	CLARCOR, Inc.....	349,800
5,000	AmerisourceBergen Corp.....	263,750		PETROLEUM — PRODUCING (1.3%)	
8,000	Bard (C.R.), Inc.....	636,080	22,500	Range Resources Corp.....	751,500
5,300	Baxter International, Inc.	279,151	19,500	Tenaris S.A. ADR.....	895,050
5,000	Becton Dickinson & Co.	384,450			1,646,550
20,000	DENTSPLY International, Inc.....	655,000			
5,700	Henry Schein, Inc.*.....	314,526			
6,200	Hologic, Inc.*	357,368			
3,500	IDEXX Laboratories, Inc.*.....	306,705			
5,800	Intuitive Surgical, Inc.*.....	705,106			

See Notes to Financial Statements.

March 31, 2007

Shares		Value	Shares		Value
PHARMACY SERVICES (0.6%)					
6,200	Express Scripts, Inc.*	\$ 500,464	11,000	Dress Barn, Inc. (The)*	\$ 228,910
3,800	Medco Health Solutions, Inc.*	275,614	12,000	GameStop Corp. Class A *	390,840
		<u>776,078</u>	8,500	Men's Wearhouse, Inc. (The)	399,925
					<u>1,661,325</u>
POWER (0.2%)					
14,000	AES Corp. (The)*	301,280	RETAIL BUILDING SUPPLY (0.1%)		
PRECISION INSTRUMENT (0.9%)					
8,000	Applera Corporation - Applied Biosystems Group	236,560	3,400	Watsco, Inc.	173,638
4,300	Mettler Toledo International, Inc.*	385,151	RETAIL STORE (1.0%)		
12,000	Thermo Fisher Scientific, Inc.*	561,000	4,500	J.C. Penney Company, Inc.	369,720
		<u>1,182,711</u>	11,000	Nordstrom, Inc.	582,340
			2,100	Sears Holdings Corp.*	378,336
					<u>1,330,396</u>
PUBLISHING (0.3%)					
6,000	McGraw-Hill Cos, Inc. (The)	377,280	SECURITIES BROKERAGE (1.9%)		
R.E.I.T. (0.9%)					
8,700	Brookfield Properties Co.	350,610	4,400	Bear Stearns Companies, Inc. (The)	661,540
6,700	General Growth Properties, Inc.	432,619	600	Chicago Mercantile Exchange Holdings, Inc.	319,476
675	Kimco Realty Corp.	32,900	1,700	Goldman Sachs Group, Inc. (The)	351,271
6,600	LaSalle Hotel Properties	305,976	6,600	Investment Technology Group, Inc.*	258,720
		<u>1,122,105</u>	3,600	Merrill Lynch & Co., Inc.	294,012
			3,300	Morgan Stanley	259,908
			9,450	Raymond James Financial, Inc.	281,232
					<u>2,426,159</u>
RAILROAD (1.2%)					
3,300	Burlington Northern Santa Fe Corp.	265,419	SHOE (0.7%)		
6,400	Canadian National Railway Co.	282,496	8,000	Genesco, Inc.*	332,240
5,200	Canadian Pacific Railway Ltd.	293,540	2,700	NIKE, Inc. Class B	286,902
11,400	Kansas City Southern*	405,612	9,000	Wolverine World Wide, Inc.	257,130
5,400	Norfolk Southern Corp.	273,240			<u>876,272</u>
		<u>1,520,307</u>	STEEL — GENERAL (0.7%)		
RESTAURANT (0.9%)					
8,500	Darden Restaurants, Inc.	350,115	3,500	IPSCO, Inc.	459,900
23,550	Sonic Corp.*	524,694	6,000	Nucor Corp.	390,780
4,700	Yum! Brands, Inc.	271,472			<u>850,680</u>
		<u>1,146,281</u>	TELECOMMUNICATION SERVICES (2.1%)		
RETAIL — AUTOMOTIVE (0.5%)					
2,200	AutoZone, Inc.*	281,908	12,000	American Tower Corp. Class A *	467,400
12,800	O'Reilly Automotive, Inc.*	423,680	8,000	AT&T, Inc.	315,440
		<u>705,588</u>	9,000	Crown Castle International Corp.*	289,170
			3,600	Millicom International Cellular S.A.*	282,096
RETAIL — SPECIAL LINES (1.3%)					
7,000	Coach, Inc.*	350,350	11,000	NII Holdings, Inc. Class B *	815,980
5,000	Dick's Sporting Goods, Inc.*	291,300			

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Principal Amount		Value
13,000	Time Warner Telecom, Inc. Class A *	\$ 270,010			
3,200	Vimpel-Communications ADR *	303,488	\$2,000,000		
		2,743,584			
	TELECOMMUNICATIONS EQUIPMENT (0.6%)				
6,600	Anixter International, Inc.*	435,204			
7,000	CommScope, Inc.*	300,300			
		735,504			
	THRIFT (0.3%)				
30,457	Hudson City Bancorp, Inc.	416,652			
	TIRE & RUBBER (0.2%)				
7,000	Carlisle Companies, Inc.	300,510			
	TOBACCO (0.2%)				
4,300	British American Tobacco PLC ADR	271,072			
	TOILETRIES & COSMETICS (0.2%)				
9,000	Luxottica Group S.p.A. ADR	286,650			
	TRUCKING (0.4%)				
5,250	Knight Transportation, Inc.	93,555			
9,400	Landstar System, Inc.	430,896			
		524,451			
	WIRELESS NETWORKING (0.3%)				
12,000	SBA Communications Corp. Class A *	354,600			
	TOTAL COMMON STOCKS (Cost \$64,602,837)	96,301,952			
				U.S. GOVERNMENT AGENCY OBLIGATIONS (13.6%)	
				Federal Home Loan Bank, 4.10%, 6/13/08	\$ 1,979,262
			1,000,000	Federal Home Loan Bank, 4.25%, 9/12/08	990,700
			3,000,000	Federal Home Loan Bank, 5.00%, 9/18/09	3,012,174
			1,000,000	Federal Home Loan Mortgage Corp., 4.25%, 7/15/09	986,839
			2,500,000	Federal Home Loan Mortgage Corp., 5.75%, 1/15/12	2,595,090
			2,000,000	Federal Home Loan Mortgage Corp., 5.13%, 7/15/12	2,026,920
			1,000,000	Federal Home Loan Mortgage Corp., 4.50%, 1/15/13	980,881
			979,238	Federal Home Loan Mortgage Corp., Gold PC Pool# J03316, 5.00%, 9/1/21	965,751
			1,000,000	Federal National Mortgage Association, 3.25%, 1/15/08	985,620
			1,600,671	Federal National Mortgage Association, 5.00%, 11/1/34	1,549,275
			1,718,515	Government National Mortgage Association, 5.50%, 1/15/36	1,709,278
				TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS (Cost \$17,725,449)	17,781,790
				TOTAL INVESTMENT SECURITIES (87.6%) (Cost \$82,328,286)	114,083,742

See Notes to Financial Statements.

March 31, 2007

Principal Amount		Value
REPURCHASE AGREEMENTS (12.5%)		
\$8,200,000	With Morgan Stanley, 5.05%, dated 3/30/07, due 4/2/07, delivery value \$8,203,451 (collateralized by \$6,850,000 U.S. Treasury Notes 13.25%, due 5/15/14, with a value of \$8,377,596).....	\$ 8,200,000
8,000,000	With State Street Bank & Trust., 4.60%, dated 3/30/07, due 4/2/07, delivery value \$8,003,067 (collateralized by \$8,320,000 U.S. Treasury Notes 3.875% due 9/15/10, with a value of \$8,161,541).....	<u>8,000,000</u>
	TOTAL REPURCHASE AGREEMENTS (Cost \$16,200,000).....	\$ 16,200,000
EXCESS OF LIABILITIES OVER CASH AND OTHER ASSETS (-0.1%)		
		<u>(70,083)</u>
NET ASSETS (100%)		
		<u>\$130,213,659</u>
NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$130,213,659 ÷ 6,045,601 shares outstanding)		
		<u>\$ 21.54</u>

* Non-income producing.

ADR American Depositary Receipt

See Notes to Financial Statements.

Statement of Assets and Liabilities
at March 31, 2007

Assets:	
Investment securities, at value (Cost – \$82,328,286)	\$ 114,083,742
Repurchase agreements (Cost – \$16,200,000)	16,200,000
Cash	122,408
Dividends and interest receivable	199,231
Receivable for capital shares sold	16,947
Prepaid expenses	14,527
Total Assets	<u>130,636,855</u>
Liabilities:	
Payable for securities purchased	174,488
Payable for capital shares repurchased	93,000
Accrued expenses:	
Advisory fee	71,355
Service and distribution plan fees	27,444
Directors' fees and expenses	2,655
Other	54,254
Total Liabilities	<u>423,196</u>
Net Assets	<u>\$130,213,659</u>
Net assets consist of:	
Capital stock, at \$.001 par value (authorized 300,000,000, outstanding 6,045,601 shares)	\$ 6,046
Additional paid-in capital	91,268,822
Undistributed net investment income	520,060
Accumulated net realized gain on investments	6,663,216
Net unrealized appreciation of investments and foreign currency translations	31,755,515
Net Assets	<u>\$130,213,659</u>
Net Asset Value, Offering and Redem- ption Price, Per Outstanding Share (\$130,213,659 ÷ 6,045,601 shares outstanding)	<u>\$ 21.54</u>

Statement of Operations
for the Year Ended March 31, 2007

Investment Income:	
Interest	\$ 1,789,655
Dividends (net of foreign withholding tax of \$7,100)	806,734
Total Income	<u>2,596,389</u>
Expenses:	
Advisory fee	877,499
Service and distribution plan fees	337,500
Printing and postage	59,626
Custodian fees	57,907
Transfer agent fees	39,773
Auditing and legal fees	39,572
Accounting and bookkeeping expense	29,686
Registration and filing fees	27,934
Insurance, dues and other	18,151
Directors' fees and expenses	9,276
Total Expenses Before Custody Credits ..	1,496,924
Less: Custody Credits	(6,109)
Net Expenses	<u>1,490,815</u>
Net Investment Income	<u>1,105,574</u>
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Exchange Transactions:	
Net Realized Gain	8,479,041
Change in Net Unrealized Appreciation/(Depreciation) on Investment and Foreign Exchange Transactions	(4,019,004)
Net Realized Gain and Change in Net Unrealized Appreciation/ (Depreciation) on Investments and Foreign Exchange Transactions	<u>4,460,037</u>
Net Increase in Net Assets from Operations	<u>\$ 5,565,611</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets
for the Years Ended March 31, 2007 and 2006

	Year Ended March 31, 2007	Year Ended March 31, 2006
Operations:		
Net investment income	\$ 1,105,574	\$ 685,073
Net realized gain on investments	8,479,041	11,457,630
Change in net unrealized appreciation/(depreciation)	(4,019,004)	9,371,890
Increase in net assets from operations	5,565,611	21,514,593
Distributions to Shareholders:		
Net investment income	(958,419)	(522,416)
Net realized gains on investment transactions	(8,109,526)	(10,444,241)
Total Distributions	(9,067,945)	(10,966,657)
Capital Share Transactions:		
Proceeds from sale of shares	13,246,239	15,089,635
Proceeds from reinvestment of distributions to shareholders	8,909,382	10,779,968
Cost of shares repurchased	(30,833,355)	(21,877,248)
Increase (decrease) in net assets from capital share transactions	(8,677,734)	3,992,355
Total Increase (Decrease) in Net Assets	(12,180,068)	14,540,291
Net Assets:		
Beginning of year	142,393,727	127,853,436
End of year	\$130,213,659	\$142,393,727
Undistributed net investment income, at end of year	\$ 520,060	\$ 373,757

See Notes to Financial Statements.

Notes to Financial Statements

I. Significant Accounting Policies

Value Line Asset Allocation Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company which seeks to achieve a high total investment return consistent with reasonable risk by investing primarily in a broad range of common stocks, bonds and money market instruments. The Fund will attempt to achieve its objective by following an asset allocation strategy, based on data derived from computer models for the stock and bond markets, that shifts the assets of the Fund among equity, debt and money market securities as the models indicate and its investment adviser, Value Line, Inc. (the “Adviser”), deems appropriate. The following significant accounting policies are in conformity with generally accepted accounting principles for investment companies. Such policies are consistently followed by the Fund in the preparation of its financial statements. Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

(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. Short-term instruments with maturities greater than 60 days at the date of purchase are valued at the midpoint between the latest available and representative asked and bid prices, and commencing 60 days prior to maturity such securities are valued at amortized cost. Securities for which market quotations are not readily available or that 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.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact the adoption of SFAS No. 157 will have on the Fund’s financial statement disclosures.

(B) 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 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.

(C) Federal Income Taxes: It is the policy of the Fund to qualify as a regulated investment company, by complying with the provisions available to regulated investment companies, as defined in applicable sections of the Internal Revenue Code, and to distribute all of its investment income and capital gains to its shareholders. Therefore, no provision for federal income tax is required.

In July 2006, the Financial Accounting Standard Board issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109” (the “Interpretation”). The Interpretation establishes for all entities, including pass-through entities such as the Fund, a minimum threshold for financial statement

March 31, 2007

recognition of the benefit of positions taken in filing tax returns (includes whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. Management has recently begun to evaluate the application of the Interpretation to the Fund, and is not in a position at this time to estimate the significance of its impact, if any, on the Fund's financial statements.

(D) Security Transactions and Distributions: Security transactions are accounted for on the date the securities are purchased or sold. Interest income 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. Dividends received in excess of income are recorded as a reduction of cost of investment and/or realized gain on Real Estate Investment Trusts (REITs).

(E) 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.

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.

(F) Representations and Indemnifications: In the normal course of business, the Fund enters into contracts that contain a variety of representations 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.

2. Capital Share Transactions

Transactions in capital stock were as follows:

	Year Ended March 31, 2007	Year Ended March 31, 2006
Shares sold	613,241	699,602
Shares issued in reinvestment of dividends and distributions ..	430,196	520,520
Shares repurchased ..	(1,439,041)	(1,022,406)
Net increase (decrease)	(395,604)	197,716
Dividends per share from net investment income	\$ 0.1617	\$ 0.0882
Dividends per share from net realized gains	\$ 1.3692	\$ 1.7630

Notes to Financial Statements

3. Purchases and Sales of Securities

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

	Year Ended March 31, 2007
Purchases:	
U.S. Government Agency Obligations	\$ 6,917,512
Other Investment Securities	36,025,608
	<u>\$42,943,120</u>
Sales:	
U.S. Government Agency Obligations	\$ 6,428,451
Other Investment Securities	47,563,912
	<u>\$53,992,363</u>

4. Income Taxes

At March 31, 2007, information on the tax components of capital is as follows:

Cost of investments for tax purposes	<u>\$98,523,261</u>
Gross tax unrealized appreciation	\$32,192,910
Gross tax unrealized depreciation	<u>(432,429)</u>
Net tax unrealized appreciation on investments	<u>\$31,760,481</u>
Undistributed ordinary income.....	<u>\$ 515,175</u>
Undistributed long-term capital gains.....	<u>\$ 6,663,216</u>

Net unrealized gain (loss) differs for financial statements and tax purposes primarily due to differing treatments of real estate investment trusts.

Permanent book-tax differences relating to the classification of income in the current year were reclassified within the composition of the net asset accounts. The Fund decreased undistributed net investment income by \$852 and increased accumulated net realized gain on investments by \$852. These reclassifications were primarily due to differing treatments of paydown gains/losses and investments in real estate investment trusts for tax purposes. Net assets were not affected by this reclassification.

The tax composition of dividends paid during the year ended March 31, 2007 and year ended March 31, 2006 is as follows:

	March 31, 2007	March 31, 2006
Ordinary income	\$ 958,419	\$ 522,416
Long-term capital gains.....	<u>8,109,526</u>	<u>10,444,241</u>
	<u>\$9,067,945</u>	<u>\$10,966,657</u>

5. Investment Advisory Fee, Service and Distribution Fees and Transactions With Affiliates

An advisory fee of \$877,499 was paid or payable to Value Line, Inc., the Fund's investment adviser (the "Adviser") for the year ended March 31, 2007. The fee was computed at an annual rate of 0.65% of 1% of the daily net assets during the period and paid monthly. The Adviser provides research, investment programs, and supervision of the investment portfolio and pays costs of certain administrative services and office space. The Adviser also provides persons, satisfactory to the Fund's Board of Directors, to act as officers of the Fund and pays their salaries and wages. 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"). The Plan, adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, compensates Value Line Securities, Inc., a subsidiary of the Adviser (the "Distributor"), for 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 March 31, 2007, fees amounting to \$337,500 were paid or payable to the Distributor under this Plan.

March 31, 2007

For the year ended March 31, 2007, the Fund's expenses were reduced by \$6,109 under a custody credit arrangement with the custodian.

Certain officers and directors of the Adviser and/or affiliated companies are also officers and directors of the Fund. At March 31, 2007, the Adviser and/or affiliated companies, including the Value Line Profit Sharing and Savings Plan, owned 1,490,742 shares of the Fund representing 24.66% of the outstanding shares. In addition, certain officers and directors of the Fund as a group owned 761 shares, representing less than 1% of the outstanding shares.

Financial Highlights

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

	Years Ended March 31,				
	2007	2006	2005	2004	2003
Net asset value, beginning of year	\$ 22.11	\$ 20.48	\$ 19.05	\$ 14.89	\$ 17.41
Income (loss) from investment operations:					
Net investment income	0.19	0.11	0.06	0.04	0.02
Net gains or losses on securities (both realized and unrealized)	0.77	3.37	1.40	4.16	(2.53)
Total from investment operations	0.96	3.48	1.46	4.20	(2.51)
Less distributions:					
Dividends from net investment income	(0.16)	(0.09)	(0.03)	(0.04)	(0.01)
Distributions from net realized gains	(1.37)	(1.76)	—	—	—
Total distributions	(1.53)	(1.85)	(0.03)	(0.04)	(0.01)
Net asset value, end of year	\$ 21.54	\$ 22.11	\$ 20.48	\$ 19.05	\$ 14.89
Total return	4.62%	17.61%	7.68%	28.20%	(14.42)%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands).....	\$130,214	\$142,394	\$127,853	\$149,727	\$138,162
Ratio of expenses to average net assets ⁽¹⁾	1.11%	1.14%	1.13%	1.11%	1.09%
Ratio of net investment income to average net assets	0.82%	0.52%	0.28%	0.23%	0.09%
Portfolio turnover rate	37%	45%	65%	60%	51%

⁽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 unchanged for the years ended March 31, 2007, 2006, 2005, 2004, and 2003.

See Notes to Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Value Line Asset Allocation 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 Asset Allocation Fund, Inc. (the “Fund”) at March 31, 2007, 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 statements 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 March 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York

May 30, 2007

**FACTORS CONSIDERED BY THE BOARD IN APPROVING
THE INVESTMENT ADVISORY AGREEMENT
FOR VALUE LINE ASSET ALLOCATION FUND, INC.**

The Investment Company Act of 1940 (the “1940 Act”) requires the Board of Directors, including a majority of Directors who are not interested persons of the Fund, as that term is defined in the 1940 Act (the “Independent Directors”), annually to consider the investment advisory agreement between the Fund and its investment adviser, Value Line, Inc. (“Value Line”) (the “Agreement”). As required by the 1940 Act, the Board requested and Value Line provided such information as the Board deemed to be reasonably necessary to evaluate the terms of the Agreement. At meetings held throughout the year, including the meeting specifically focused upon the review of the Agreement, the Independent Directors met in executive sessions separately from the Non-Independent Director of the Fund and any officers of Value Line. In selecting Value Line and approving the continuance of the Agreement, the Independent Directors relied upon the assistance of counsel to the Independent Directors.

Both in meetings which specifically addressed the approval of the Agreement and at other meetings during the course of the year, the Board, including the Independent Directors, received materials relating to Value Line’s investment and management services under the Agreement. These materials included information on (i) the investment performance of the Fund compared to a peer group of funds (“Performance Universe”) and its benchmark index, each as classified by Lipper, Inc., an independent evaluation service (“Lipper”); (ii) sales and redemption data with respect to the Fund; (iii) the general investment outlook in the markets in which the Fund invests; (iv) arrangements with respect to the distribution of the Fund’s shares; (v) the allocation of the Fund’s brokerage, if any; and (vi) the overall nature, quality and extent of services provided by Value Line.

As part of the review of the continuance of the Agreement, the Board requested, and Value Line provided, additional information in order to evaluate the quality of Value Line’s services and the reasonableness of its fees under the Agreement. In a separate executive session, the Independent Directors engaged in an extensive review of information, which included data comparing: (i) the Fund’s average

management fees, transfer agent/custodian fees, service fees (including 12b-1 fees), and other non-management fees, to those incurred by a peer group of funds consisting of the Fund and other retail no-load mixed-asset target allocation growth funds, as selected objectively by Lipper Inc., an independent provider of investment company data (“Expense Group”), and a peer group of funds consisting of the Fund, the Expense Group and all other retail no-load mixed-asset target allocation growth funds, as selected objectively by Lipper Inc. (“Expense Universe”); (ii) the Fund’s average expense ratio to those of its Expense Group and Expense Universe; (iii) the Fund’s investment performance over various time periods to the average performance of the Fund and all retail and institutional target allocation funds regardless of asset size or primary channel of distribution, as selected independently by Lipper Inc. (“Performance Universe”) as well as the Lipper Index; (iv) Value Line’s financial results and conditions, including Value Line’s and certain of its affiliates’ profitability from the services that have been performed for the Fund as well as the Value Line family of funds; (v) the Fund’s current investment management staffing; and (vi) the Fund’s potential for achieving economies of scale. In support of its review of the statistical information, the Board was provided with a detailed description of the methodology used by Lipper Inc. to determine the Expense Group, the Expense Universe and the Performance Universe to prepare this information.

The following summarizes matters considered by the Board in connection with its renewal of the Agreement. However, the Board did not identify any single factor as all-important or controlling, and the summary does not detail all the matters that were considered.

Investment Performance. The Board reviewed the Fund’s overall investment performance and compared it to its Performance Universe and the Lipper Index. The Board noted that, although the Fund’s performance for the one-year period ended December 31, 2006 was below the performance of the Performance Universe average and the Fund’s performance for the one-year and five-year periods ended December 31, 2006 was below the performance of

the Lipper Index, the Fund outperformed its Performance Universe average for the three-year, five-year and ten-year periods ended December 31, 2006 as well as the Lipper Index for the three-year and ten-year periods ended December 31, 2006.

Value Line's Personnel and Methods. The Board reviewed the background of the portfolio managers responsible for the daily management of the Fund's portfolio, achieving the Fund's investment objective and adhering to the Fund's investment strategy. The Independent Directors also engaged in discussions with Value Line's senior management who are responsible for the overall functioning of the Fund's investment operations. Based on this review, the Board concluded that the Fund's management team and Value Line's overall resources were well developed and that Value Line had investment management capabilities and personnel essential to performing its duties under the Agreement.

Management Fee and Expenses. The Board considered Value Line's fee under the Agreement relative to the management fees charged by its Expense Group and Expense Universe averages. The Board noted that the Fund's management fee for the most recent fiscal year was less than both the Expense Group average and the Expense Universe average. The Board also considered that the Fund's total expense ratio was slightly higher than the average expense ratio of both its Expense Group and Expense Universe and concluded that the expense level was satisfactory for the purpose of approving the continuance of the Agreement for the coming year. Based on their overall review, the Board determined that Value Line's management fee rate under the Agreement does not constitute fees that are so disproportionately large as to bear no reasonable relationship to the services rendered and that could not have been the product of arm's-length bargaining, and concluded that the management fee rate under the Agreement is fair and reasonable.

Nature and Quality of Other Services. The Board considered the nature, quality, cost and extent of other services provided by Value Line and its affiliate, Value Line Securities, Inc. At meetings held throughout the year, the Board reviewed the effectiveness of Value Line's overall compliance program, as well as the services provided by Value

Line Securities, Inc., the Fund's principal underwriter. The Board also reviewed the services provided by Value Line and its affiliate in supervising third party service providers. Based on this review, the Board concluded that the nature, quality, cost and extent of such other services provided by Value Line and its affiliate were satisfactory, reliable and beneficial to the Fund's shareholders.

Profitability. The Board considered the level of Value Line's profits with respect to the management of the Fund, including the impact of certain actions taken during 2005 and 2006. These actions included Value Line's review of its methodology in allocating certain of its costs to the management of each Fund, Value Line's voluntary reduction of management and/or Rule 12b-1 fees for certain funds, Value Line's termination of the use of soft dollar research, and the cessation of trading through its affiliate, Value Line Securities, Inc. Based on a review of these actions and Value Line's overall profitability, the Board concluded that Value Line's profits from management of the Fund, including the financial results derived from the Fund, bear a reasonable relationship to the services rendered and are fair for the management of the Fund in light of the business risks involved.

Other Benefits. The Board also considered the character and amount of other direct and incidental benefits received by Value Line and its affiliates from their association with the Fund. The Board concluded that potential "fall-out" benefits that Value Line and its affiliates may receive, such as greater name recognition, appear to be reasonable, and may in some cases benefit the Fund.

Economies of Scale. The Board noted that, given the current and anticipated size of the Fund, any perceived and potential economies of scale were not yet a relevant consideration for the Fund and the addition of break points was determined not to be necessary at this time.

Conclusion. The Board, in light of Value Line's overall performance, considered it appropriate to continue to retain Value Line as the Fund's investment adviser. Based on their evaluation of all material factors deemed relevant, and with the advice of independent counsel, the Board concluded that the Fund's Agreement is fair and reasonable and voted to approve the continuation of the Agreement for another year.

Federal Tax Notice (unaudited)

During the year ended March 31, 2007, the Fund paid dividends to shareholders of \$0.1617 per share from net investment income. For corporate taxpayers, 78.72% of the ordinary income distributions paid during the fiscal year ended March 31, 2007 qualify for the corporate dividends received deductions. During the fiscal year ended March 31, 2007, 80.99% of the ordinary income distribution are treated as qualified dividends.

During the year ended March 31, 2007, the Fund paid \$1.3692 per share of long-term capital gains to shareholders.

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				
Jean Bernhard Buttner Age 72	Chairman of the Board of Directors and President	Since 1993	Chairman, President and Chief Executive Officer of Value Line, Inc. (the "Adviser") and Value Line Publishing, Inc. Chairman and President of each of the 14 Value Line Funds and Value Line Securities, Inc. (the "Distributor").	Value Line, Inc.
Non-Interested Directors				
John W. Chandler 1611 Cold Spring Road Williamstown, MA 01267 Age 83	Director	Since 2000	Consultant, Academic Search Consultation Service, Inc. (1992–2004); Trustee Emeritus and Chairman (1993–1994) of the Board of Trustees of Duke University; President Emeritus, Williams College.	None
Frances T. Newton 4921 Buckingham Drive Charlotte, NC 28209 Age 65	Director	Since 1993	Retired. Customer Support Analyst, Duke Power Company until April 2007.	None
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 Age 75	Director	Since 1993	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 71	Director	Since 2000	Visiting Professor of Classics, Williams College, since 1999; President Emeritus, Skidmore College since 1999 and President, (1987–1998).	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
Paul Craig Roberts 169 Pompano Street Panama City Beach, FL 32413 Age 68	Director	Since 2000	Chairman, Institute for Political Economy.	None
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 Age 58	Director	Since 2000	Senior Financial Advisor, Veritable L.P. (Investment adviser) since 2004; Senior Financial Advisor, Hawthorn (2001–2004).	None
Officers				
David T. Henigson Age 49	Vice President, Secretary and Chief Compliance Officer	Since 1993	Director, Vice President and Compliance Officer of the Adviser. Director and Vice President of the Distributor. Vice President, Secretary and Chief Compliance Officer of each of the 14 Value Line Funds.	
Stephen R. Anastasio Age 47	Treasurer	Since 2005	Controller of the Adviser until 2003; Chief Financial Officer of the Adviser (2003–2005); Treasurer of the Adviser since 2005; Treasurer of each of the Value Line Funds.	
Howard A. Brecher Age 53	Assistant Treasurer Assistant Secretary	Since 2005	Director, Vice President and Secretary of the Adviser. Director and Vice President of the Distributor.	

* *Mrs. Buttner is an “interested person” as defined in the Investment Company Act of 1940 by virtue of her positions with the Adviser and her indirect ownership of a controlling interest in the Adviser.*

Unless otherwise indicated, the address for each of the above is 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.

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 for the 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.

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 — *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, 9 am – 5 pm CST, Monday – Friday, or visit us at www.vlfunds.com. Read the prospectus carefully before you invest or send money.