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REGISTERED PUBLIC
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Compliance Officer*
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*Assistant Secretary/
Assistant Treasurer*

A N N U A L R E P O R T

April 30, 2007

*Value Line
Convertible
Fund, Inc.*



V A L U E L I N E

*No-Load
Mutual
Funds*

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

539614

To Our Value Line

To Our Shareholders:

The year that ended on April 30, 2007 was a strong year for equities and fixed income securities, thereby providing healthy returns for convertibles.

In June of 2006, The Federal Reserve Board paused in its restrictive monetary policy which consisted of a series of interest rate hikes which began in December of 2004. Since June of 2006, the Federal Reserve has neither raised nor lowered interest rates, but has kept rates stable. The Federal Reserve stopped raising rates for two reasons: its main concern, inflation, was moderating from a peak of 2.9% to its current rate of 2.3%, as measured by the CPI Core Year over Year Index. And GDP growth slowed from 5.6% in the first quarter of 2006, to 1.3% by the first quarter of 2007.

Convertible issues, as well as equities and fixed income securities, rallied due to the pause in monetary policy as well as expectations that the Federal Reserve would cut interest rates to stimulate economic growth. However, investors were disappointed when the Federal Reserve held interest rates steady with no inclination toward easing rates. Strong global growth in Asia, Europe, and Latin America helped to support U.S. growth and corporate profits, and this dissuaded the Fed from reducing rates.

Starting in December of 2006, bond prices declined due to the disappointment over the Federal Reserve's decision not to reduce interest rates. However, this did not derail the equity and convertible markets as they continued to rally,

supported by strong global growth and a great amount of liquidity from investors all over the world.

For the year ended on April 30, 2007, your Fund generated a total return of 9.20%⁽¹⁾. This lagged the Fund's benchmark, the Standard & Poor's 500 Stock Index (S&P 500 Stock Index)⁽²⁾, which returned 15.71%. The principal reason for the underperformance was the Fund's slight underweighting in three sectors that outperformed—energy, basic materials, and industrials. By the end of the 2006, we had taken measures to correct this, creating an overweight position in all three sectors.

The outlook for the convertible market remains positive as global growth is healthy and monetary authorities around the world are dedicated to fighting inflation, either through holding interest rates steady or raising rates gradually. Despite this, convertibles and their underlying equities have had a long rally, so corrections would not be surprising. In addition, Asian markets, particularly China, have had the strongest rallies and a speculative fervor has come to dominate investing in those markets. This increases the risk of a downturn in those markets which would have negative implications for the convertible and equity markets.

Our current strategy is to continue to assume a moderate risk profile somewhat greater than our Index benchmark. We will maintain our overweighted positions in energy, basic materials, and industrials.

(1) *The return for the report period presented in the letter differs from the return in the Financial Highlights. This is a result of the calculation of the Financial Highlights return adhering to GAAP presentation.*

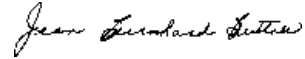
(2) *The S&P 500 Stock Index consists of 500 stocks which are traded on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market System and is representative of the broad stock market. This is an unmanaged index and does not reflect charges, expenses or taxes, so it is not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

Convertible Fund Shareholders

However, due to the long-term nature of the rally, we have added some defensive issues, in the healthcare sector, for example. We will continue to select convertible issues with favorable income, good liquidity, and solid credit worthiness that offer favorable prospects for price appreciation. We will focus this selection among the highest ranked convertibles in the Value Line Convertible Survey and those companies ranked highly in the Value Line Investment Survey.

As always, your confidence in Value Line is appreciated and we look forward to serving your future investment needs.

Sincerely,



Jean Bernhard Buttner
Chairman and President

June 5, 2007

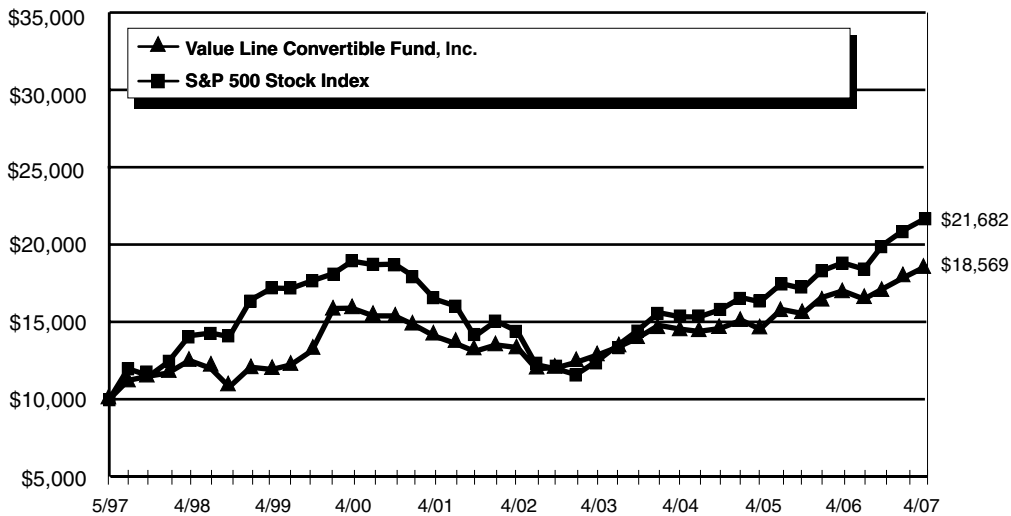
Economic Observations

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 months of 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.

The following graph compares the performance of the Value Line Convertible Fund, Inc. to that of the S&P 500 Stock Index. The Value Line Convertible Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index 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 the Value of a \$10,000 Investment in the Value Line Convertible Fund, Inc. and the S&P 500 Stock Index*



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

The return for the index does not reflect expenses which are deducted from the Fund's returns.

Performance Data:**

	Average Annual Total Return	Growth of an Assumed Investment of \$10,000
1 year ended 4/30/07***	9.20%	\$10,920
5 years ended 4/30/07***	6.84%	\$13,920
10 years ended 4/30/07***	6.38%	\$18,569

** 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.

*** The return for the report period presented in the table differs from the return in the Financial Highlights. This is a result of the calculation of the Financial Highlights return adhering to GAAP presentation.

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 (November 1, 2006 through April 30, 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 11/1/06	Ending account value 4/30/07	Expenses* paid during period 11/1/06 thru 4/30/07
Actual	\$1,000.00	\$1,082.90	\$5.06
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.93	\$4.91

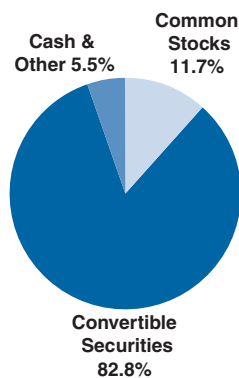
* Expenses are equal to the Fund's annualized expense ratio of 0.98% multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half period. This expense ratio may differ from the expense ratio shown in the Financial Highlights.

Portfolio Highlights at April 30, 2007 (unaudited)

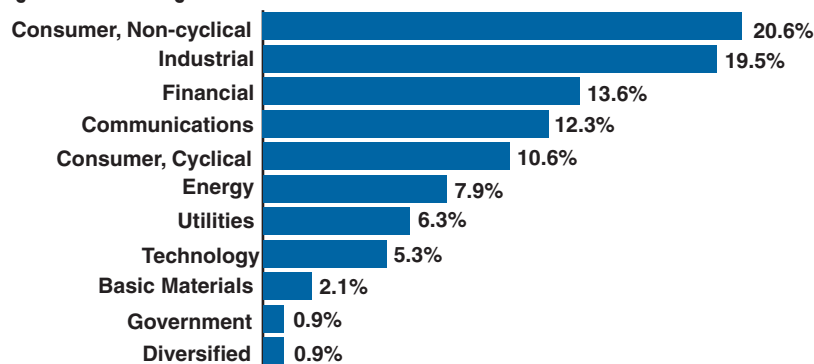
Ten Largest Holdings

Issue	Principal Amount or Shares	Value	Percentage of Net Assets
Lockheed Martin Corp. 5.11%, 5/15/07	\$450,000	\$614,011	1.8%
Entergy Corp. 7.63%, Pfd.	8,000	\$554,400	1.6%
NRG Energy, Inc. 4.00%, Pfd.	250	\$516,187	1.5%
AES Trust III, 6.75%, Pfd.	10,000	\$499,700	1.5%
Alliant Techsystems, Inc. 2.75%, 2/15/24	\$350,000	\$434,437	1.3%
Schering-Plough Corp. 6.00%, Pfd.	6,000	\$432,750	1.3%
Church & Dwight Company, Inc. 5.25%, 8/15/33	\$250,000	\$422,187	1.3%
Goodyear Tire & Rubber Co. (The), 4.00%, 6/15/34	\$150,000	\$419,812	1.2%
Electronic Data Systems Corp. 3.88%, 7/15/23	\$400,000	\$416,000	1.2%
Agere Systems, Inc. 6.50%, 12/15/09	\$400,000	\$409,500	1.2%

Asset Allocation — Percentage of Net Assets



Sector Weightings — Percentage of Total Investment Securities



Schedule of Investments

Principal Amount	Value	Principal Amount	Value
CONVERTIBLE CORPORATE BONDS & NOTES (63.2%)		COMPUTER & PERIPHERALS (0.8%)	
ADVERTISING (1.2%)		\$250,000	EMC Corp. Senior Notes, 1.75%, 12/1/11 \$ 279,688
\$250,000	Interpublic Group of Companies, Inc. (The) 4.50%, 3/15/23 \$ 295,937	COMPUTER SOFTWARE & SERVICES (1.6%)	
100,000	Omnicom Group, Inc. 0.0% 7/31/32 ⁽¹⁾ 102,750	400,000	Electronic Data Systems Corp. 3.88%, 7/15/23 416,000
	398,687	100,000	Sybase, Inc. Subordinated Notes, 1.75%, 2/22/25 110,000
AEROSPACE/DEFENSE (5.0%)			526,000
100,000	AAR Corp. 1.75%, 2/1/26 121,125	DIVERSIFIED COMPANIES (1.5%)	
350,000	Alliant Techsystems, Inc. 2.75%, 2/15/24 434,437	200,000	Danaher Corp. 0.0%, 1/22/21 ⁽¹⁾ 208,750
100,000	Armor Holdings, Inc. 2.00%, 11/1/24 ⁽²⁾ 145,875	200,000	Tyco International Group S.A. Senior Debentures Ser. B, 3.13%, 1/15/23 312,000
350,000	L-3 Communications Corp. 3.00%, 8/1/35 378,438		520,750
450,000	Lockheed Martin Corp. 5.11%, 8/15/33 ⁽³⁾ 614,011	DRUG (4.7%)	
	1,693,886	200,000	Allergan, Inc. 1.50%, 4/1/26 217,750
AIR TRANSPORT (1.0%)		250,000	Genzyme Corp. 1.25%, 12/1/23 265,625
200,000	ExpressJet Holdings, Inc., 4.25%, 8/1/23 192,250	250,000	OSI Pharmaceuticals, Inc. 3.25%, 9/8/23 248,750
150,000	JetBlue Airways Corp. 3.75%, 3/15/35 142,500	150,000	Sciele Pharma, Inc. 1.75%, 3/8/24. 173,625
	334,750	250,000	Teva Pharmaceutical Finance LLC Series A, 0.50%, 2/1/24 272,500
AUTO & TRUCK (0.3%)		200,000	Watson Pharmaceuticals, Inc. Senior Debentures Contingent, 1.75%, 3/15/23 187,000
100,000	United Auto Group, Inc. Senior Subordinated Notes, 3.50%, 4/1/26 105,875	200,000	Wyeth 4.88%, 1/15/24 ⁽⁴⁾ 220,860
	105,875		1,586,110
BANK (1.2%)		ELECTRICAL UTILITY — CENTRAL (0.9%)	
400,000	Wells Fargo & Co. Senior Debentures, 5.11%, 5/1/33 ⁽³⁾ ... 399,068	100,000	CenterPoint Energy, Inc. Series B, 3.75%, 5/15/23 167,125
BIOTECHNOLOGY (0.9%)		100,000	CMS Energy Corp. Senior Notes, 2.88%, 12/1/24 138,750
200,000	Amgen, Inc. 0.13%, 2/1/11 192,250		305,875
100,000	Amgen, Inc. Senior Notes, 0.38%, 2/1/13 95,625	ELECTRONICS (1.3%)	
	287,875	150,000	Avnet, Inc. 2.00%, 3/15/34 194,625
CEMENT & AGGREGATES (0.4%)		250,000	Flextronics International Ltd. Subordinated Notes, 1.00%, 8/1/10 240,312
100,000	Ceradyne, Inc. Senior Subordinated Notes, 2.88%, 12/15/35 119,625		434,937
COAL (0.6%)			
200,000	Peabody Energy Corp. 4.75%, 12/15/66 217,250		

See Notes to Financial Statements.

April 30, 2007

Principal Amount		Value	Principal Amount		Value
ENTERTAINMENT (3.2%)			INSURANCE — PROPERTY & CASUALTY (0.5%)		
\$250,000	Liberty Media Corp. (convertible into Time Warner, Inc. common) 0.75%, 3/30/23	\$ 303,125	\$250,000	American Financial Group, Inc. 1.49%, 6/2/33 ⁽²⁾	\$ 154,688
400,000	Sinclair Broadcast Group, Inc. 6.00%, 9/15/12	394,500	MACHINERY (0.9%)		
300,000	Walt Disney Co. (The) 2.13%, 4/15/23	366,750	100,000	AGCO Corp. Senior Subordinated Notes, 1.25%, 12/15/36	117,750
		1,064,375	250,000	Roper Industries, Inc. 1.48%, 1/15/34 ⁽²⁾	178,438
ENVIRONMENTAL (1.4%)					296,188
200,000	Allied Waste North America, Inc. 4.25%, 4/15/34	193,750	MANUFACTURED HOUSING/ RECREATIONAL VEHICLE (0.8%)		
250,000	Waste Connections, Inc. Senior Notes, 3.75%, 4/1/26	279,375	250,000	Fleetwood Enterprises, Inc. Senior Subordinated Debentures, 5.00%, 12/15/23	252,813
		473,125	MEDICAL SERVICES (2.7%)		
FINANCIAL SERVICES — DIVERSIFIED (1.8%)			300,000	Apria Healthcare Group, Inc. Senior Notes, 3.38%, 9/1/33	327,000
200,000	Financial Federal Corp. 2.00%, 4/15/34	207,000	100,000	Laboratory Corporation of America Holdings Subordinated Notes, 0.0%, 9/11/21 ⁽¹⁾	106,125
300,000	Merrill Lynch & Co, Inc. 0.0% 3/13/32 ⁽¹⁾	389,130	300,000	Lincare Holdings, Inc. 3.00%, 6/15/33	296,625
		596,130	150,000	PSS World Medical, Inc. 2.25%, 3/15/24	186,750
HEALTH CARE INFORMATION SYSTEMS (1.5%)					916,500
300,000	Incyte Corp. 3.50%, 2/15/11	277,500	MEDICAL SUPPLIES (4.4%)		
200,000	WebMD Corp. 1.75%, 6/15/23	229,500	300,000	ALZA Corp. 0.0%, 7/28/20 ⁽¹⁾	264,750
		507,000	200,000	Cytoc Corp. 2.25%, 3/15/24	253,750
HOTEL/GAMING (1.1%)			200,000	Edwards Lifesciences Corp. 3.88%, 5/15/33	207,000
250,000	Hilton Hotels Corp. Senior Notes, 3.38%, 4/15/23	384,063	200,000	Fisher Scientific International Inc. Senior Subordinated Notes, 3.25%, 3/1/24	289,250
HOUSEHOLD PRODUCTS (1.3%)			150,000	Medtronic, Inc. 1.50%, 4/15/11	158,625
250,000	Church & Dwight Company, Inc. 5.25%, 8/15/33	422,187	100,000	Medtronic, Inc. Senior Notes, 1.50%, 4/15/11	105,750
INDUSTRIAL SERVICES (1.6%)			300,000	Thoratec Corp. Subordinated Notes, 1.38%, 5/16/34 ⁽²⁾	209,250
150,000	Amdocs Ltd. 0.50%, 3/15/24	151,125			1,488,375
150,000	Quanta Services, Inc. 4.50%, 10/1/23	376,500	METALS FABRICATING (0.7%)		
		527,625	200,000	Trinity Industries, Inc. Subordinated Notes, 3.88%, 6/1/36	238,000
INSURANCE — LIFE (0.6%)					
200,000	Prudential Financial, Inc. Senior Notes, 2.94%, 12/12/36 ⁽³⁾⁽⁵⁾	201,780			

See Notes to Financial Statements.

Schedule of Investments

Principal Amount		Value	Principal Amount		Value
	OILFIELD SERVICES/ EQUIPMENT (2.3%)			RETAIL BUILDING SUPPLY (0.5%)	
\$200,000	Cameron International Corp. 1.50%, 5/15/24	\$ 380,500	\$150,000	Lowe's Companies, Inc. 0.0% 10/19/21 ⁽¹⁾	\$ 160,125
100,000	Diamond Offshore Drilling, Inc. 1.50%, 4/15/31	174,750		RETAIL STORE (0.5%)	
100,000	Schlumberger Ltd. Series A, 1.50%, 6/1/23	204,000	150,000	Costco Wholesale Corp. 0.0% 8/19/17 ⁽¹⁾	182,438
		759,250		SEMICONDUCTOR (1.3%)	
	PETROLEUM — INTEGRATED (0.6%)		250,000	Intel Corp. Jr. Subordinated Debentures, 2.95%, 12/15/35 ...	227,500
200,000	McMoRan Exploration Co. 5.25%, 10/6/11	207,750	200,000	LSI Logic Corp. 4.00%, 5/15/10 ..	200,750
					428,250
	PHARMACY SERVICES (0.5%)			SEMICONDUCTOR — EQUIPMENT (0.6%)	
200,000	Omnicare, Inc. 3.25%, 12/15/35 ..	166,000	200,000	Cymer, Inc. 3.50%, 2/15/09	204,750
	PRECISION INSTRUMENT (0.8%)			TELECOMMUNICATION SERVICES (2.0%)	
200,000	FEI Co. Subordinated Notes, 0.0% 6/15/23 ⁽¹⁾	279,000	100,000	NII Holdings, Inc. 2.88%, 2/1/34 .	296,000
	R.E.I.T. (1.3%)		150,000	NII Holdings, Inc. Senior Notes, 2.75%, 8/15/25	247,687
100,000	Host Hotels & Resorts, Inc. Exchangeable Senior Debentures, 2.63%, 4/15/27 ⁽⁵⁾	95,875	100,000	Time Warner Telecom, Inc. Senior Debentures, 2.38%, 4/1/26	128,500
350,000	Vornado Realty Trust Senior Notes, 3.63%, 11/15/26	348,250			672,187
		444,125		TELECOMMUNICATIONS EQUIPMENT (3.3%)	
	RAILROAD (1.1%)		400,000	Agere Systems, Inc. 6.50%, 12/15/09	409,500
250,000	CSX Corp. 0.0% 10/30/21 ⁽¹⁾	382,813	250,000	Andrew Corp. Subordinated Notes, 3.25%, 8/15/13	253,750
	RECREATION (0.5%)		150,000	Anixter International Inc. 0.0% 7/7/33 ⁽¹⁾	162,750
200,000	Carnival Corp. 0.0% 10/24/21 ⁽¹⁾	163,750	100,000	Ciena Corp. Senior Notes, 0.25%, 5/1/13	92,500
	RETAIL — AUTOMOTIVE (0.4%)		150,000	Comtech Telecommunications Corp. 2.00%, 2/1/24 ⁽²⁾	195,750
100,000	Sonic Automotive, Inc. Senior Subordinated Notes, 4.25%, 11/30/15 ⁽²⁾	131,875			1,114,250
	RETAIL — SPECIAL LINES (1.7%)			TIRE & RUBBER (1.2%)	
250,000	Best Buy Company, Inc. 2.25%, 1/15/22	271,250	150,000	Goodyear Tire & Rubber Co. (The) 4.00%, 6/15/34 ⁽⁵⁾	419,812
150,000	Dick's Sporting Goods, Inc. 1.61%, 2/18/24 ⁽²⁾	155,250		TRUCKING (0.3%)	
150,000	School Specialty, Inc. Subordinated Notes, 3.75%, 8/1/23 ⁽²⁾	148,687	100,000	YRC Worldwide, Inc. Contingent Senior Notes, 3.38%, 11/25/23 .	116,625
		575,187			

See Notes to Financial Statements.

April 30, 2007

Principal Amount		Value	Shares		Value
WIRELESS NETWORKING (0.4%)					
\$100,000	Itron, Inc. Senior Subordinated Notes, 2.50%, 8/1/26	\$ 122,250			
TOTAL CONVERTIBLE CORPORATE BONDS & NOTES (Cost \$19,277,849)					
21,263,662					
Shares					
CONVERTIBLE PREFERRED STOCK (19.6%)					
AUTO & TRUCK (0.8%)					
7,000	Ford Motor Company Capital Trust II 6.50%, Pfd.	251,125			
CHEMICAL — DIVERSIFIED (0.7%)					
5,000	Celanese Corp. 4.25%, Pfd.	217,500			
DRUG (1.3%)					
6,000	Schering-Plough Corp. 6.00%, Pfd. .	432,750			
ELECTRICAL UTILITY — CENTRAL (2.0%)					
4,000	Aquila, Inc. 6.75%, Pfd.	133,500			
8,000	Entergy Corp. 7.63%, Pfd.	554,400			
687,900					
FINANCIAL SERVICES — DIVERSIFIED (1.6%)					
3	Federal National Mortgage Association 5.38%, Pfd. ⁽⁵⁾	304,026			
5,000	Lazard Ltd. 6.63%, Pfd.	231,300			
535,326					
GROCERY (0.5%)					
6,000	Albertson's, Inc. 7.25%, Pfd.	150,900			
INSURANCE — LIFE (1.3%)					
9,000	MetLife, Inc. 6.38%, Pfd.	295,875			
2,000	Reinsurance Group of America, Inc. 5.75%, Pfd.	156,000			
451,875					
INSURANCE — PROPERTY & CASUALTY (0.4%)					
5,000	XL Capital Ltd. 6.50%, Pfd.	127,950			
INTERNET (0.3%)					
4,000	E*Trade Financial Corp. 6.13%, Pfd.	115,000			
MACHINERY (0.2%)					
1,317	United Rentals Trust I 6.50%, Pfd.	64,533			
METALS & MINING DIVERSIFIED (0.8%)					
150	Freeport-McMoRan Copper & Gold, Inc. 5.50%, Pfd.	\$ 230,194			
500	Freeport-McMoRan Copper & Gold, Inc. 6.75%, Pfd.	54,270			
284,464					
NATURAL GAS — DIVERSIFIED (1.6%)					
200	El Paso Corp. 4.99%, Pfd.	260,400			
2,000	Williams Companies, Inc. (The) 5.50%, Pfd.	276,750			
537,150					
OILFIELD SERVICES/ EQUIPMENT (1.1%)					
5,000	Bristow Group, Inc. 5.50%, Pfd. ..	258,125			
1,714	Hanover Compressor Co. 7.25%, Pfd.	107,553			
365,678					
PETROLEUM — PRODUCING (0.9%)					
3,000	Chesapeake Energy Corp. 4.50%, Pfd.	304,500			
POWER (3.0%)					
10,000	AES Trust III 6.75%, Pfd.	499,700			
250	NRG Energy, Inc. 4.00%, Pfd.	516,187			
1,015,887					
R.E.I.T. (1.1%)					
4,000	Simon Property Group, Inc. 6.00%, Pfd.	369,000			
TELECOMMUNICATIONS EQUIPMENT (0.9%)					
300	Lucent Technologies Capital Trust I, 7.75%, Pfd.	311,813			
THRIFT (1.1%)					
5,000	Sovereign Cap Trust IV 4.38%, Pfd.	245,625			
2,000	Washington Mutual Capital Trust I 5.38%, Pfd.	109,580			
355,205					
TOTAL CONVERTIBLE PREFERRED STOCK (Cost \$5,471,406)					
\$ 6,578,556					

See Notes to Financial Statements.

Schedule of Investments

Shares		Value	Shares		Value
COMMON STOCKS (11.7%)					
ADVERTISING (0.1%)					
1,000	aQuantive, Inc. *	\$ 30,610			
AEROSPACE/DEFENSE (0.3%)					
1,000	Boeing Co. (The)	93,000			
APPAREL (0.1%)					
1,000	Perry Ellis International, Inc. *	33,200			
BANK (0.1%)					
1,000	Bank of America Corp.	50,900			
CHEMICAL — BASIC (0.1%)					
1,000	E.I. du Pont de Nemours and Co.	49,170			
CHEMICAL — DIVERSIFIED (0.2%)					
1,000	Monsanto Co.	58,990			
COMPUTER SOFTWARE & SERVICES (0.1%)					
1,000	Accenture Ltd. Class A	39,100			
DIVERSIFIED COMPANIES (0.2%)					
1,000	Honeywell International, Inc.	54,180			
DRUG (0.6%)					
2,000	Celgene Corp. *	122,320			
1,000	Gilead Sciences, Inc. *	81,720			
		204,040			
ELECTRICAL EQUIPMENT (0.9%)					
1,000	General Cable Corp. *	57,440			
2,000	General Electric Co.	73,720			
8,000	GrafTech International Ltd. *	79,840			
1,000	Trimble Navigation Ltd. *	28,680			
1,000	WESCO International Inc. *	63,170			
		302,850			
ELECTRONICS (0.1%)					
1,000	Harris Corp.	51,350			
FINANCIAL SERVICES — DIVERSIFIED (0.9%)					
2,000	Affiliated Managers Group, Inc. *	235,260			
1,000	American International Group, Inc.	69,910			
		305,170			
FOOD PROCESSING (0.2%)					
1,000	Bunge Ltd.	\$ 75,760			
HEALTH CARE INFORMATION SYSTEMS (0.2%)					
1,000	Cerner Corp. *	53,240			
HOME BUILDING (0.8%)					
3,800	Avatar Holdings, Inc. *	285,266			
HOTEL/GAMING (0.2%)					
1,000	MGM MIRAGE *	67,250			
INDUSTRIAL SERVICES (0.2%)					
1,000	CB Richard Ellis Group, Inc. Class A *	33,850			
1,000	FTI Consulting, Inc. *	36,770			
		70,620			
INTERNET (0.7%)					
4,000	Priceline.com, Inc. *	222,560			
MACHINERY (0.2%)					
1,000	Allis-Chalmers Energy, Inc. *	19,350			
1,000	Lennox International, Inc.	33,810			
		53,160			
MEDICAL SUPPLIES (0.5%)					
3,000	Affymetrix, Inc. *	78,810			
1,000	Zimmer Holdings, Inc. *	90,480			
		169,290			
NATURAL GAS — DIVERSIFIED (0.4%)					
2,000	Devon Energy Corp.	145,740			
OILFIELD SERVICES/ EQUIPMENT (0.6%)					
1,000	Diamond Offshore Drilling, Inc.	85,600			
1,000	ENSCO International, Inc.	56,380			
1,000	GlobalSantaFe Corp.	63,930			
		205,910			
PACKAGING & CONTAINER (0.2%)					
2,000	Sealed Air Corp.	65,800			

See Notes to Financial Statements.

April 30, 2007

Shares	Value	Principal Amount	Value
PETROLEUM — INTEGRATED (0.9%)		REPURCHASE AGREEMENTS (3.8%)	
1,491	Hess Corp. \$ 84,614	\$1,300,000	With Morgan Stanley, 5.03%, dated 4/30/07, due 5/1/07, delivery value \$1,300,182 (collateralized by \$1,000,000 U.S. Treasury Notes 7.625%, due 11/15/22, with a value of \$1,334,809) \$ 1,300,000
1,000	Marathon Oil Corp. 101,550		
1,000	Sasol Ltd. ADR 34,170		
1,000	Valero Energy Corp. 70,230		
	<u>290,564</u>		
PRECIOUS METALS (0.1%)		TOTAL REPURCHASE AGREEMENTS (Cost \$1,300,000) 1,300,000	
1,000	AngloGold Ashanti Ltd. ADR 44,570		
PRECISION INSTRUMENT (0.5%)		CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (1.7%) 556,689	
3,000	Thermo Fisher Scientific, Inc. * ... 156,180		
R.E.I.T. (0.2%)		NET ASSETS (100%) \$33,660,606	
1,222	Starwood Hotels & Resorts Worldwide, Inc. 81,899		
RAILROAD (0.2%)		NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$33,660,606 ÷ 2,473,022 shares outstanding) \$ 13.61	
1,000	Norfolk Southern Corp. 53,240		
RETAIL STORE (0.4%)			
1,000	J.C. Penney Company, Inc. 79,090		
1,000	Kohl's Corp. * 74,040		
	<u>153,130</u>		
SECURITIES BROKERAGE (0.7%)			
1,000	Bear Stearns Companies, Inc. (The) 155,700		
1,000	Lehman Brothers Holdings, Inc. ... 75,280		
	<u>230,980</u>		
TELECOMMUNICATION SERVICES (0.2%)			
2,000	Telecom Italia S.p.A. ADR 59,900		
TOILETRIES & COSMETICS (0.4%)			
2,000	Avon Products, Inc. 79,600		
1,000	Chattem, Inc. * 57,140		
	<u>136,740</u>		
WIRELESS NETWORKING (0.2%)			
1,000	Itron, Inc. * 67,340		
TOTAL COMMON STOCKS (Cost \$3,522,344) 3,961,699			
TOTAL INVESTMENT SECURITIES (94.5%) (Cost \$28,271,599) \$31,803,917			

* Non-income producing.

ADR American Depositary Receipt

⁽¹⁾ Zero coupon bond.⁽²⁾ Step Bond — The rate shown is as of April 30, 2007 and will reset at a future date.⁽³⁾ Rate at 4/30/2007. Floating rate changes quarterly.⁽⁴⁾ Rate at 4/30/2007. Floating rate changes semi-annually.⁽⁵⁾ Pursuant to Rule 144A under the Securities Act of 1933, this security can only be sold to qualified institutional investors.

See Notes to Financial Statements.

Value Line Convertible Fund, Inc.

Statement of Assets and Liabilities
at April 30, 2007

Assets:	
Investment securities, at value	
(Cost—\$28,271,599)	\$31,803,917
Repurchase agreements (Cost—\$1,300,000) ..	1,300,000
Cash	80,530
Receivable for securities sold	436,312
Interest and dividends receivable	150,913
Prepaid expenses	13,656
Receivable for capital shares sold	243
Total Assets	<u>33,785,571</u>
Liabilities:	
Payable for securities purchased	77,006
Payable for capital shares repurchased	2,961
Accrued expenses:	
Advisory fee	17,355
Service and distribution plan fees	2,777
Directors' fees and expenses	919
Other	23,947
Total Liabilities	<u>124,965</u>
Net Assets	<u>\$33,660,606</u>
Net assets consist of:	
Capital stock, at \$1.00 par value (authorized	
50,000,000, outstanding 2,473,022 shares) ..	\$ 2,473,022
Additional paid-in capital	26,678,467
Undistributed net investment income	76,998
Accumulated net realized gain	
on investments	899,801
Net unrealized appreciation of investments ..	3,532,318
Net Assets	<u>\$33,660,606</u>
Net Asset Value, Offering and	
Redemption Price per Outstanding	
Share (\$33,660,606 ÷ 2,473,022 shares	
outstanding)	<u>\$ 13.61</u>

Statement of Operations
for the Year Ended April 30, 2007

Investment Income:	
Interest	\$ 770,760
Dividends (net of foreign withholding tax	
of \$705)	388,931
Total Income	<u>1,159,691</u>
Expenses:	
Advisory fee	267,052
Service and distribution plan fees	89,017
Custodian fees	40,152
Transfer agent fees	28,752
Auditing and legal fees	26,629
Printing and postage	26,274
Registration and filing fees	24,931
Insurance, dues and other	11,441
Directors' fees and expenses	3,484
Total Expenses Before Custody Credits	
and Fees Waived	<u>517,732</u>
Less: Advisory Fee Waived	(44,509)
Less: Service and Distribution Plan	
Fees Waived	(53,410)
Less: Custody Credits	(7,484)
Net Expenses	<u>412,329</u>
Net Investment Income	<u>747,362</u>
Net Realized and Unrealized Gain/(Loss)	
on Investments:	
Net Realized Gain	2,123,296
Change in Net Unrealized	
Appreciation/(Depreciation)	<u>273,778</u>
Net Realized Gain and Change in	
Net Unrealized Appreciation/	
(Depreciation) on Investments	
	<u>2,397,074</u>
Increase in Net Assets from Operations ..	<u>\$3,144,436</u>

See Notes to Financial Statements.

**Statement of Changes in Net Assets
for the Years Ended April 30, 2007 and 2006**

	Year Ended April 30, 2007	Year Ended April 30, 2006
Operations:		
Net investment income	\$ 747,362	\$ 689,519
Net realized gain on investments	2,123,296	2,065,406
Change in net unrealized appreciation/(depreciation)	273,778	3,203,171
Increase in net assets from operations	3,144,436	5,958,096
Distributions to Shareholders:		
Net investment income	(861,012)	(487,016)
Capital Share Transactions:		
Proceeds from sale of shares	4,653,638	1,173,175
Proceeds from reinvestment of distributions to shareholders	763,162	421,882
Cost of shares repurchased	(10,565,733)	(9,204,741)
Decrease in net assets from capital share transactions	(5,148,933)	(7,609,684)
Total Decrease in Net Assets	(2,865,509)	(2,138,604)
Net Assets:		
Beginning of year	36,526,115	38,664,719
End of year	\$ 33,660,606	\$36,526,115
Undistributed net investment income, at end of year	\$ 76,998	\$ 191,520

See Notes to Financial Statements.

Notes to Financial Statements

1. Significant Accounting Policies

Value Line Convertible Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company whose investment objective is to seek high current income together with capital appreciation. The Fund seeks to accomplish its objective by investing primarily in convertible securities.

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 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 investments that mature in less than 60 days are valued at amortized cost if their original maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if their original term exceeds 60 days. Securities for which market quotations are not readily available or which are not readily marketable 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 shareholders. Therefore, no provision for federal income tax is required.

In July 2006, the Financial Accounting Standards 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 recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a

April 30, 2007

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.

(E) Convertible Securities. It is the Fund's policy to invest a significant portion of its assets in convertible securities. The return provided by a convertible security is greatly influenced by the performance of the common stock for which it can be exchanged. However, factors such as coupon rate, yield to maturity, years to maturity and premium rates and investment value, which measures the convertible security's degree of downside price protection, all can have a strong effect on the performance of the convertible security while having no influence on the performance of its underlying common stock. Therefore, convertible securities are not considered derivative financial instruments. In connection with transactions in convertible securities, when the Fund chooses to convert the securities into the underlying common stock at the designated conversion rate, there will be no gain or loss recognized upon conversion and the cost of the common stock will reflect the cost of the original convertible security.

(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.

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 are included in realized gain/loss on investments and change in 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 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.

Notes to Financial Statements

2. Capital Share Transactions

Transactions in capital stock were as follows:

	Year Ended April 30, 2007	Year Ended April 30, 2006
Shares sold	372,549	97,583
Shares issued in reinvestment of dividends and distributions	60,785	34,967
Shares repurchased	(816,841)	(772,015)
Net decrease	(383,507)	(639,465)
Dividends per share from net investment income	\$ 0.3075	\$ 0.1575

3. Purchases and Sales of Securities

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

	Year Ended April 30, 2007
Purchases:	
Investment securities	\$41,093,468
Sales or Redemptions:	
Investment securities	\$44,376,686

4. Income Taxes

At April 30, 2007, information on the tax components of capital is as follows:

Cost of investments for tax purposes ..	\$29,688,780
Gross tax unrealized appreciation	\$ 3,728,424
Gross tax unrealized depreciation	(313,287)
Net tax unrealized appreciation on investments	\$ 3,415,137
Undistributed ordinary income	\$ 76,998
Undistributed long-term gain	\$ 1,016,981

During the year ended April 30, 2007, the Fund utilized \$1,152,874 of its carryforward loss.

The Fund's net unrealized gain (loss) differ for financial statement and tax purposes primarily due to wash sales.

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 \$872, and increased accumulated net realized gain on investments by \$872. These reclassifications were primarily due to differing treatments of consent fees and investments in real estate investment trusts for tax purposes. Net assets were not affected by this reclassification.

The tax composition of distributions to shareholders for the years ended April 30, 2007 and April 30, 2006 were as follows:

	2007	2006
Ordinary income	\$861,012	\$487,016

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

An advisory fee of \$267,052 before fee waivers was paid or payable to Value Line, Inc. (the "Adviser") for the year ended April 30, 2007. This was computed at an annual rate of $\frac{3}{4}$ of 1% of average daily net assets during the period and paid monthly. The Adviser provides research, investment programs, supervision of the investment portfolio and pays costs of administrative services, office space, equipment and compensation of administrative, book-keeping, 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 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. Effective March 7, 2006, the Adviser voluntarily waived 0.125% of the fee. The fee waiver amounted to

April 30, 2007

\$44,509. The Adviser has no right to recoup previously waived amounts.

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 the Adviser, 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 April 30, 2007, fees amounting to \$89,017 before fee waivers were accrued under this plan. Effective March 7, 2006, the Distributor voluntarily waived 0.15% of the fee.

The fee waiver amounted to \$53,410. The Distributor has no right to recoup previously waived amounts.

For the year ended April 30, 2007, the Fund's expenses were reduced by \$7,484 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 April 30, 2007, the Adviser and/or affiliated companies owned 204 shares of the Fund representing less than 1% of the outstanding shares. In addition, certain officers and directors of the Fund as a group owned 378 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 April 30,				
	2007	2006	2005	2004	2003
Net asset value, beginning of year..	\$ 12.78	\$ 11.06	\$ 11.31	\$ 10.28	\$ 10.97
Income (loss) from investment operations:					
Net investment income	0.27	0.23	0.19	0.28	0.27
Net gains or losses on securities (both realized and unrealized) ...	0.87	1.65	(0.19)	1.05	(0.68)
Total from investment operations ..	1.14	1.88	—	1.33	(0.41)
Less distributions:					
Dividends from net investment income	(0.31)	(0.16)	(0.25)	(0.30)	(0.28)
Net asset value, end of year.....	\$ 13.61	\$ 12.78	\$ 11.06	\$ 11.31	\$ 10.28
Total return	9.12%	17.06%	(0.05%)	13.03%	(3.62%)
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$33,661	\$36,526	\$38,665	\$43,502	\$44,075
Ratio of expenses to average net assets ⁽¹⁾	1.45% ⁽²⁾	1.39% ⁽²⁾	1.53%	1.51%	1.47%
Ratio of net investment income to average net assets.....	2.10%	1.85%	1.68%	2.49%	2.66%
Portfolio turnover rate	123%	82%	122%	130%	128%

(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 1.43% for the year ended April 30, 2007, 1.38% for the year ended April 30, 2006, 1.52% for the year ended April 30, 2005, 1.50% for the year ended April 30, 2004, and unchanged for the year ended April 30, 2003.

(2) Ratio reflects expenses grossed up for the voluntary fee waivers of a portion of the advisory fee by the Adviser and the service and distribution plan fees by the Distributor. The ratio of expenses to average net assets net of the voluntary fee waivers, but exclusive of the custody credit arrangement, would have been 1.18% as of April 30, 2007 and 1.35% as of April 30, 2006.

See Notes to Financial Statements.

Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Shareholders
of Value Line Convertible 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 Convertible Fund, Inc. (the "Fund") at April 30, 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 April 30, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York

June 29, 2007

Value Line Convertible Fund, Inc.

Federal Tax Notice (unaudited)

During the year ended April 30, 2007, the Fund paid dividends to shareholders of \$0.3075 per share from net investment income. For corporate taxpayers, 31.02% of the ordinary income distributions paid during the fiscal year ended April 30, 2007 qualify for the corporate dividends received deductions. During the fiscal year ended April 30, 2007, 29.95% of the ordinary income distribution are treated as qualified dividends.

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.

Factors Considered by the Board in Approving the Investment Advisory Agreement for Value Line Convertible Fund, Inc. (unaudited)

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 held on March 8, 2007, 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 the meeting that specifically addressed the approval of the Agreement and at other meetings held 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 over various periods of time compared to the performance of a peer group of funds consisting of the Fund and all retail and institutional convertible securities funds regardless of asset size or primary channel of distribution (“Performance Universe”), as classified by Lipper Inc., an independent evaluation service (“Lipper”), and to the Fund’s benchmark index; (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 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 nine other retail front-end load and no-load convertible securities funds, as selected objectively by Lipper (“Expense Group”), and a peer group of funds consisting of the Fund, the Expense Group and all other retail front-end load and no-load convertible securities funds, as selected objectively by Lipper (“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 Performance Universe as well as the ten largest retail front-end load and no-load convertible securities funds as selected by Lipper (“Lipper Index”); (iv) Value Line’s financial results and condition, including Value Line’s and 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 to determine the Expense Group, the Expense Universe and the Performance Universe to prepare its 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 the Fund’s performance for the one-year, three-year, five-year and ten-year periods ended December 31, 2006 was below the performance of both the Performance Universe average and the Lipper Index.

Value Line’s Personnel and Methods. The Board reviewed the background of the portfolio manager 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.

Factors Considered by the Board in Approving the Investment Advisory Agreement for Value Line Convertible Fund, Inc. (unaudited)

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, effective March 7, 2006, Value Line voluntarily agreed to waive a portion of the Fund's management fee, effectively reducing the management fee rate from 0.75% to 0.625% of the Fund's average daily net assets. As a result of this voluntary management fee waiver, the Board noted that the Fund's management fee rate for the most recent fiscal year (after giving effect to the voluntary management fee waiver) was less than that of both the Expense Group average and the Expense Universe average. In addition, the Board and Value Line agreed that the management fee waiver, as described above, for a one-year period effective September 1, 2007, would be contractually imposed so that it could not be changed without the Board's approval. Based on these factors, the Board determined that the Fund's management fee rate payable to Value Line 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.

The Board also considered that the Fund's total expense ratio relative to its Expense Group and Expense Universe averages. The Board noted that, effective March 7, 2006, Value Line Securities, Inc., the Fund's principal underwriter, voluntarily agreed to waive a portion of the Fund's Rule 12b-1 fee, effectively reducing the Fund's Rule 12b-1 fee rate from 0.25% to 0.10% of the Fund's average daily net assets. As a result of this voluntary Rule 12b-1 fee waiver and the management fee waiver, the Board noted that the Fund's total expense ratio (after giving effect to these waivers) was less than that of both the Expense Group average and the Expense Universe average and concluded that the average expense ratio was satisfactory for the purpose of approving the continuance of the Agreement for the coming year.

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., the Fund's principal underwriter. 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 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, 2006 and 2007. These actions included Value Line's review of its methodology in allocating certain of its costs to the management of each Fund, the reduction of management and/or Rule 12b-1 fees for certain Funds (both of which type of reductions may be changed by Value Line or Value Line Securities, Inc. (as the case may be) for certain Funds or, for other Funds, may not be changed during a set term unless approved by the Board), Value Line's termination of the use of soft dollar research, and the cessation of trading through 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 and actions taken with respect to the rate at which the management fees and Rule 12b-1 fees are charged, 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.

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 1985	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 Springs Road Williamstown, MA 01267 Age 83	Director	Since 1991	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 2000	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 2000	Professor of History, Williams College, (1961 to 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 1997	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 St. Panama City Beach, FL 32413 Age 68	Director	Since 1985	Chairman, Institute for Political Economy.	None
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 Age 58	Director	Since 1996	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 1994	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 48	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 14 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 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.